CLAIRE PROVOST MATT KENNARD

SILENT COUP

HOW CORPORATIONS OVERTHREW DEMOCRACY

BLOOMSBURY

'*Silent Coup* is a ground-breaking piece of work. Through personal journeys and encounters, it reveals the truth about how little our votes mean when corporations and dirty dealers are pulling their corrupt strings in the background. This book needs to be read aloud.

Silent Coup shows us where we're heading to if we do nothing. This book is not about theories, it's about reality. It's what real investigative journalism should be about, but it's written in a no-nonsense, engaging, and accessible style. This is stuff we really need to know.'

–BENJAMIN ZEPHANIAH

'Silent Coup shows us how corporations have insulated themselves from democratic decision-making and stolen our collective power. Through impressive and important investigative journalism, the authors reveal how, why and where corporate power has hijacked democracy.

We have to understand this world-spanning corporate power to build a global movement so powerful that we can take back our democracies and secure our collective future.'

–JEREMY CORBYN

'This brilliant book presents an entirely innovative framework to understand why the world looks like it does and not what it is. It explains why the media is largely ignoring the most important story of our generation. It explains how civic society around the world is being systematically dismantled by greedy corporations, governments, judicial bodies, and international institutions. It crackles by exposing hypocrisy at every level of officialdom. It demonstrates that voting in Western democracies is only the window dressing that hides power that few see with the naked eye but that this book reveals in startling and grotesque detail. If you read only one book this year, this should be it.'

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'*Silent Coup* opens a window onto multiple battlefields on which brave communities resist irresistible conglomerates worldwide. Because these momentous clashes remain under the radar of global public opinion, reading this book constitutes, in itself, an act of precious resistance.'

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'This wide-ranging inquiry – based on intensive on-the-ground investigation – unearths "a parallel world, outside of scrutiny…with very real consequences." An ugly world, out of control, unaccountable, but with overwhelming power. It ranges from investor-state legal systems to intricate systems of corporate welfare that aid elites and investors. Always concealed in elaborate devices of seeming to do good. *Silent Coup* is a highly revealing exposé of the hidden real world.'

–NOAM CHOMSKY

'*Silent Coup* is investigative journalism at its best. It shows us how corporations rule the world: suing sovereign, democratic governments in invisible courts to erode constitutions and the democratic rights they enshrine – and writing laws and treaties to privatise the earth's resources and public goods. Sovereign communities and countries are being displaced by sovereign companies and the supranational systems they have built to establish their control, creating in the process our age of corporate colonialism. The book is vital reading for all who care for human freedom, human rights and democracy.'

–VANDANA SHIVA

'*Silent Coup* is an outstanding work of secrets revealed: all the more so for its classic eyewitness reporting. It shows that democracy's true enemy is within, a dark alliance of rapacious capital and corrupt law. We have been warned.'

–JOHN PILGER

'*Silent Coup* is a crime story: a gripping description of the murky legal and regulatory structures and policy changes that privilege big corporations. It's a tragedy, outlining the terrible consequences for people and nature, for democracy and accountability. It's a lesson in economics, providing fascinating and important insights into the functioning of global capitalism today. But finally it's also a story of hope about apparently powerless people resisting these trends in the struggle for better and more just futures. Don't miss this.'

–JAYATI GHOSH

Silent Coup

How Corporations Overthrew Democracy

By Claire Provost and Matt Kennard

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For Gavin MacFadyen,
good trouble

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Biographies

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Matt Kennard is co-founder and chief investigator at *Declassified UK*, a news outlet investigating British foreign policy. He was a fellow and then director at the CIJ in London. He has worked as a staff writer for the *Financial Times* in Washington DC, New York, and London. He is the author of two acclaimed books: *Irregular Army* (2012) and *The Racket* (2015). He lives in London.

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We would also like to thank all of the activists, human rights lawyers and countless others who are challenging the global systems and strategies through which corporations impose their will and limit the potential of democracy. The odds are stacked against them. Their courage inspired us and gave us the will to write this book. Their stories and wisdom should be much more widely known.

We would also like to thank our editors, and our families and friends – particularly Simone and Ana – for supporting us through the many years researching and writing this project. Finally, thanks to Ornella Maoret and Ann Page for their open-minded love and inspiration, and to Dylan and Rosa, the next generation where our hope lies.

Introduction: The meeting

He was late and seemed comically disorganized, but also purposeful and charismatic. Simultaneously out-of-place and at ease. From his attitude to his appearance – unkempt hair and a dark tweed blazer over a crumpled shirt – he was exactly how you might imagine a veteran, rabble-rousing American investigative journalist.

The scene was a small, busy restaurant in central London with walls that were covered in dark wood panels and a menu of rustic English meals. It was lunchtime on a weekday, and the dining room was packed with people on breaks from offices nearby, consumed in their own conversations. It seemed like an appropriate setting for a life-changing meeting of ambitious young reporters who wanted what this man seemed to have in spades: an impressive investigative track-record, but also a life of adventure, principles and a community of colleagues who were both 'trouble-makers' and close friends.

We'd only met Gavin MacFadyen once before – at our interviews for fellowship positions at the Centre for Investigative Journalism (CIJ) in London which he had founded in 2003 to create more space for important, and difficult investigative reporting.[1] But we'd read everything we could find about him and his history. He had covered civil rights and anti-Vietnam war protests in the United States, and the Nicaraguan Revolution, before moving to London and becoming more recently known for his vocal support of WikiLeaks and Julian Assange. We were excited to join his world of high-stakes, colourful characters. People who believed in what they were doing, and took real risks.

Gavin was a prominent friend to whistleblowers and reporters who seemed to run towards abuses of power. Previous CIJ journalists included Sarah Harrison, who became a WikiLeaks editor, and a close advisor to Assange, before helping Edward Snowden escape Hong Kong in 2013.[2] Daniel Ellsberg – leaker of the 'Pentagon Papers' – and members of the Russian feminist punk band Pussy Riot joined him in advising the new Courage Foundation on defending whistleblowers worldwide.[3]

He was also a fierce advocate for Chelsea Manning, the US army intelligence analyst who leaked files to WikiLeaks covering the Iraq and Afghanistan wars. They included a video which showed soldiers killing a dozen unarmed civilians – among them two workers for the Reuters press agency – and then laughing about it.[4] The price she paid was huge: imprisonment for seven years from 2010, sometimes on suicide watch, with detention conditions considered 'cruel, inhuman and degrading' by United Nations experts.[5]

These were the kinds of people that he seemed to be surrounded by. When they spoke about the role of public access to information in democracies it wasn't theoretical. Investigative reporting, Gavin wrote, demands 'a reporter's moral outrage at injustice, incompetence, brutality and misery'.[6] But for many journalists, he cautioned, their work 'is simply a job. Their interest is in lapdog confidences and dining with the powerful. Those who passionately want to provide a voice for those without one, and who fight hypocrisy and exploitation are sadly rare'. He fretted about consequences for the public-at-large, deprived of critical perspectives on the activities of powerful players in our societies. He, and those around him, were determined to do something about it.

We had both been selected for fellowships under Gavin at the CIJ after responding to a vague job advert offering two years of time and salary – and travel budgets – to work on public interest investigative journalism about, it appeared, whatever we wanted.

In our interviews, Gavin hadn't asked us standard questions, and hadn't wanted to hear much about our CVs or accomplishments. Instead he'd thrown scenarios at us. 'Imagine you get a tip,' he said. 'Rising cancer rates near an industrial waste dump. What do you do next, how do you figure out if there's actually a story there?'

He'd also thrown us curve balls, grinning as he quickly changed the scenarios' terms: 'Imagine, as you dig into this, you find out that a crucial environmental impact study had been buried, and that its author now wants this information to get out. But they're across the world, and they're worried about sharing anything over email. What do you do?'

Born on New Year's Day in 1940, Gavin would have been 74 years old – more than twice our age – when we met. He'd made more than fifty documentaries, including for the BBC and PBS Frontline, on topics ranging from neo-Nazi violence to election fraud. He also had a roster of acting and producer credits from a stretch of time that he had spent in Hollywood, including collaborations on Michael Mann films such as *The Insider*, which starred Russell Crowe as a famous corporate whistleblower.[7]

But while he had a lifetime of impressive experiences he didn't come across as arrogant or pretentious. We saw straight away that he lacked the ego and snobbishness of some senior journalists, who often seemed to disregard

reporters who are much younger or who have just started to find their feet. He let out big belly laughs during our initial interviews which (unusually for job interviews) felt over far too quickly.

We were thrilled to learn that we'd been chosen for fellowship positions. Details remained sparse, but the start date was 'ASAP', and this was what had brought us to the restaurant that day. Gavin had suggested that we meet for lunch, presumably to discuss what our new positions would involve. As we waited for him, we compared the practical questions we'd prepared. We'd wanted to look organized before our new boss.

But when Gavin appeared and sat down at our table, he gestured at our notebooks and pens, and chuckled: 'Put those away.'

Instead of details, he wanted to chew over big questions that day. What were we passionate about investigating, and why? 'You can do whatever you want, go wherever you want – but make it count,' he encouraged us. 'You could even decide to work together,' he grinned. 'That could be fun.'

While we'd each met Gavin once before, at our interviews, we hadn't met each other and soon we realised that this was the purpose of our lunch. When it was our turn to speak we saw that this unusual meeting, without note-taking or an agenda, had in fact been carefully planned by the unusual character before us. We had too many interests, and concerns, in common. It could not have been a coincidence, we thought.

Claire had been working up the road at the *Guardian*, one of Britain's main newspapers, as a data journalist. Her work there had included investigations following international aid and development money – including how giant companies have profited from these budgets.[8] She wanted to dig deeper into this business.

Matt had previously worked at the *Financial Times* and had written a book about how the US military recruited neo-Nazis, gang members and criminals to fight the 'War on Terror'.[9] He had also been tracking controversies around international development institutions and had chosen as his next target a branch of the World Bank that invests in private companies. Claire knew it well; it was also on her list of entities to look into.

We didn't want that lunch meeting to end either – though we didn't get much new information about the fellowships that we'd been selected for. We would come to expect this mix of excitement and lack of clarity after a meeting with Gavin. However one thing was now obvious: he would not tell us what to do, not like a normal boss. He might inspire and give us some direction, but it would be up to us to make the most of this opportunity.

We didn't know it then but that lunch, in late spring 2014, set off a collaboration that would span many years and continents. We would go on to use every penny of our travel budgets and stretch them as much as possible: flying the most inconvenient flights, staying in the cheapest hotels, and wherever possible

hitching rides with others going the same way. In total we went to twenty-five countries across Europe, Africa, the Middle East, Asia and the Americas – as well as deep into historical archives.[10]

What we found surprised even Gavin. As European empires crumbled in the twentieth century, power structures that had dominated the world were up for renegotiation. Yet instead of a triumph of democracy, what emerged was a silent coup against its very core – namely, the unstoppable rise of global corporate power and new infrastructure to protect it from rebellious peoples. Around the world, people on the frontlines of local struggles explained the present-day consequences of this epic power grab – while archives and historical documents revealed its origins. The result is this book – a guide to the rise of supranational corporate empires that now dictate how resources are allocated, how territories are governed, how justice is defined and who's safe.

Our first major investigation was prompted by an unexpected phone call. It sent us into a little-known but powerful international legal system through which giant companies and foreign investors can sue governments for billions of dollars. On the ground around the world we learned from local communities how cases through this system have challenged, delayed and in some cases overturned actions taken to protect public health and the environment and build more just and equal futures.

Next, we turned to the international aid and development system that we'd both wanted to dig into from the start – learning how it has helped corporations to expand (or bailed them out when they've struggled). Beyond corporate profits, we saw how these legal and welfare systems at the global level also support corporate control and influence over societies. We saw this too in our next investigations, into the cessation of territory around the world to corporations, as well as increasingly privatised security.

From South Africa to Myanmar (also known as Burma), these systems and trends have functioned to insulate giant corporations and wealthy elites from democracy – and, we learned from historical files and archives, this means they're working as intended. They are the product of ambitious and long-range plans to reshape the world.

This story is far bigger than a single parliamentary or congressional scandal (or series of them). It is about who *really* controls power and decision-making in our world today. The rules of the game. When exceptions are made. Who's in charge. It is about corporate justice, corporate welfare, corporate territories and corporate armies – all on a global scale. This is a story that affects you no matter where you live.

Though London, where we met, seemed increasingly like a particularly appropriate place for us to be based while working on this project. Each of the systems and trends we investigated had expanded around the same time. It was after the Second World War, as independence movements in poorer countries

threatened the continuing rule of British and other imperial powers. Europe's capitalist elites, including senior figures from the UK and Germany, rallied to protect themselves and build new infrastructure to support corporations' interests. This infrastructure has since gone global – without democratic debates, and undermining democratic action worldwide.

Some of the figures in this story are well-known, including Cecil Rhodes and Margaret Thatcher, but many of the protagonists – the architects of international corporate empires and local community activists resisting their impacts – are not. The characters include English soap makers and Asian oligarchs as well as lawyers, bankers, economists – and, on the other side, a ragtag global resistance of people who would remind us of Gavin, with similar abilities to mix seriousness with joy.

Crucially, what we uncovered is not secret to everyone – elites know this story, or parts of it, already. So do ordinary people on the frontlines of local struggles globally. Their fight back has made them experts, but their views rarely inform headlines.

PART ONE

Corporate justice

Chapter 1
Democracy on trial

An unexpected phone call

Gavin gave us a room, to use as an office, in the media building at Goldsmiths University in New Cross, south London. It had no windows and had previously been used for storage. But we'd never had an office to ourselves before. We cheerfully tried to bring order to the chaos, stacking boxes of journalism training materials on one side of the room to give us space to sit. On a wall we pinned up a world map and big sheets of paper to start sketching out our ideas.

It was simultaneously thrilling and maddening to have no structure at all. Gavin ran the CIJ how we imagined an art school would have been directed in the 1960s, back when he'd been closer to our age. It was a peaceful refuge far away from the rapid churn of daily news – a place where there was space for 'the big questions'. It was also completely wild. Meetings were fun and had no agendas; fascinating friends of his would waft in and out.

Determined to make the most of our fellowships, we began by keeping regular office hours, meeting each morning and brainstorming the projects we could work on together. An unexpected phone call made us pack our bags earlier than we'd expected.

'September 15th, El Salvador's independence day,' Meera Karunananthan said down the line from Ottawa as we scrambled for a piece of paper and a pen to take notes. She was part of a global movement of 'water justice' activists and had been a contact of Claire's for years. Helpfully, she seemed to know about epic battles between communities and corporations, around the world, long before they became news (if they ever did).

'I wish I could go myself,' she emphasized. On that day, she explained, local community and environmental activists were organizing a 'Festival of Resistance' in a small town, north of the Salvadoran capital and near a very controversial proposed gold mine. They described the company behind the project as threatening the

country's very independence with an international legal case at an obscure branch of the World Bank.

A hearing on the 'merits' of the case was scheduled for the same day, in Washington DC. The company was demanding more than $300 million in 'compensation' for not being allowed to dig up gold it found. It would be a huge penalty for the poor country to pay – more than it received in foreign aid each year.[1]

Meera described this case, as well as the context, in epic terms. An increasingly, impressively mainstream movement against mining, and to protect water resources, seemed on the verge of victory. New laws were being discussed and she thought that El Salvador could become the first country in the world to ban metal mining nationwide.

'It's the anti-mining capital of the world,' she said. But people leading this fight on the ground were doing so at great risk. In addition to the company's case against the country, local activists had faced death threats. Several had been killed.

'It's important that the world knows this story,' she encouraged us, with an intriguing blend of excitement and concern. International scrutiny, and on-the-ground witnesses, she suggested, could also help keep people safe.

We didn't need more convincing. After the call, we started to research flights to El Salvador. Then, also unexpectedly, Gavin appeared at our door.

'Wow,' he said. 'I like what you've done with this room!'

We removed a box of books from a chair, so he could sit down with us. We told him about El Salvador. He grinned. 'Great, get out of here, but do your homework first.'

Pacific Rim vs El Salvador

The international legal case against El Salvador had been launched by a Vancouver, Canada-based company called Pacific Rim. It was, we learned, what people in the industry called a 'junior miner'. It didn't have a massive empire, and was focused on exploring for new riches to dig up. The only real jewel in its crown seemed to be the proposed mine which it said the Salvadoran government had unfairly blocked it from opening.

We downloaded and printed files from the case from the World Bank's website. They ran into hundreds of pages, were heavy bricks of paper to carry around and were full of complicated legal language. But the company's argument was essentially that the Salvadoran government had encouraged them to explore for gold – and then, after they found it, prevented them from extracting it. They said they were owed compensation for the money they had spent on exploration activities, but also for their lost, hypothetical 'future profits'.

In response, El Salvador's lawyers said the company lacked key environmental permits it would have needed to dig – and proof that it held rights to all of the land it required. Many local farmers in the area, it seemed, had refused to sell their property.

A statement submitted to the tribunal hearing this case, by Pacific Rim's president, Thomas C. Shrake, helped us to further extend the timeline of relevant events. The company, he explained, had moved into El Salvador in 2002 after buying out another business that held exploration licenses there.[2] In the 1990s, we also learned, after the country's devastating twelve-year civil war ended, the government had courted international companies to set up shop. It had signed international treaties, and passed a new investment law in 1999, giving foreign investors access to international tribunals in case of disputes with the state.[3]

Much had changed, however, by the time the Canadian company filed its case in 2009. The environmental movements that Meera had told us about were already gaining greater momentum. A newly elected President, Mauricio Funes, announced a popular 'administrative freeze' on new mining permits.[4] All such permit reviews and approvals were put on indefinite hold, pending environmental and other studies. Environmental and human rights groups hoped that this would be followed by a permanent ban.

Three years later, in 2012, OceanaGold – a much bigger, Australian-Canadian, mining corporation – bought Pacific Rim for less than $10 million.[5] If it won the case against El Salvador that it had inherited in the process, it would make hundreds of millions of dollars in profit.[6] But, we were surprised to find, the company's own communications didn't seem to focus on this potential payout. Instead they gushed about 'unlocking the significant opportunity that exists' at the contested mine site.[7] Sam Pazuki, an OceanaGold communications representative, reportedly said the company's 'strong preference' was 'a negotiated outcome to the permitting impasse'.[8] No matter how unwelcome, it seemed, they wanted to dig.

We asked ourselves: Was its case a way to drag the government to the negotiating table? Would the World Bank, whose stated mission is to end poverty and boost 'shared prosperity', allow a company to threaten a poor country, for so much money, while being clear that they ultimately wanted to dig no matter what? And why hadn't this dispute been covered closely by the international media?

Its international dimensions were clear. The case had been mounted by a Canadian company, and then carried forward by a Australian-Canadian one; it had been registered at a World Bank branch in Washington DC; the tribunal judging it was composed of elite lawyers from Argentina and Europe. But with few exceptions, it seemed to have received almost no mainstream global media coverage.

We descended into the capital San Salvador late in the evening. It was dark but, as we were driven from the airport in a taxi, we thought about what road we were travelling on. It was likely the same one on which four US Catholic missionaries were stopped, raped and executed on 2 December 1980. It was an infamous atrocity. Years later, four National Guard officers were convicted for these murders. Afterwards, declarations they made from prison revealed that they were following orders from the US-backed Salvadoran authorities.[9]

The next morning we walked from our guesthouse into the city's historic centre, where we found the Metropolitan Cathedral and the tomb of Archbishop Oscar Romero. An outspoken critic of social injustice, and the US-supported military government during the civil war, he was assassinated in 1980. UN investigations later pinned his death on a pro-government 'death squad'.[10] Dozens of people were also killed at his funeral, at this church, after gunmen fired on mourners and a stampede ensued.[11] Romero had amassed a vast and dedicated following by the time of his death, in part because of his popular Sunday sermons, broadcasted on the church's radio station. He used them to also share details of recent disappearances, cases of torture and murders. They became a main source of news for people about what was happening.

We thought about this by Romero's tomb – and how contemporary activists were, in a similar way, doing the risky work of regularly monitoring and reporting on mining activities. In the area around the contested gold mine that we had come to learn about, a local station Radio Victoria had been covering its plans – and resistance to them – for years. Staffers said they had received anonymous threats 'that we were on death lists' by phone as well as via 'letters slipped under the door of the radio station and at our homes'.[12]

We wanted to meet some of these people who were following and challenging mining companies' activities in the country. This is why the first meeting we arranged was with Pedro Cabezas, coordinator of the International Allies against Mining network, at a small restaurant in the capital, not far from our guest house. Pedro seemed relaxed, leaning back casually on his chair, sipping a beer, wearing sunglasses in the shade. But what he told us was dramatic: stories of local activists that had been killed or injured in attacks, and others that had been threatened and harassed.

He also described an under-reported story of a historic people's movement to keep the country's gold in the ground and protect its water supplies. It was a hopeful story that contrasted sharply with what El Salvador was better known for.

Internationally, Central America's smallest country usually made headlines for violence and organized crime. Reports covered things like: how the country had one of the world's highest homicide rates[13]; estimates suggesting that 10 per cent of the population were involved with gangs including the notorious MS-13 with their memorable face tattoos[14]; and how violence was driving many others to undertake sometimes treacherous journeys to flee to other countries, including the US.[15]

It could seem like an unlikely candidate for a country to pioneer world-leading environmental measures. But Pedro shared data from public opinion polls commissioned by a Salvadoran university, suggesting a majority of the population opposed mining. He named politicians from rival parties, Catholic Church leaders and large NGOs that rarely agree but had all come out against mining too.

'Some days, I feel like it could actually happen,' Pedro grinned. 'We might actually become the first country in the world to ban mining, once and for all.'

He didn't think that this would happen quickly – even with the president on side. He feared that it could be delayed for years because of the case before the World Bank tribunal in Washington DC. Though he was undeterred. 'We'll continue to fight'.

Dreams delayed

Even with the president on side, it's not enough. What Pedro said stuck with us. It was hard to imagine a more influential person in a country, or a more useful ally.

But 'that's the kind of power we're up against', he had told us, suggesting that the international legal system the mining company had access to gave it a kind of supreme strength that could bring even steadfast governments to their knees.

We arrived in El Salvador just months after the then newly-elected FMLN President Salvador Sánchez Cerén took office in mid-2014. The former teacher and left-wing guerrilla commander seemed to have made his own position against mining clear. 'Everyone says that El Salvador has underground wealth – golden valleys and basins of silver', Cerén told the Salvadoran daily *La Prensa Gráfica*. But extracting it, he said: 'will destroy our lives'.[16]

He spoke softly and promoted the concept of *'buen vivir'* (Spanish for 'living well') – which had been sweeping across Latin America since the mid-2000s.[17] It was an alternative paradigm for evaluating progress that centred people and communities, and their relationship with nature.[18] This was important: If his administration would oppose mining, they also said they wanted to build something new.

This was why we were excited to have secured interviews with officials in Cerén's government including Ángel Ibarra, vice-minister for the environment. Until that year, he'd been president of the Salvadoran Ecological Unit (UNES) environmental group. A trained physician, and former dean of the country's Lutheran University, he'd also joined the FMLN during the civil war, though he left the party after the conflict ended.

'Until a few days ago I was not considering joining public service. This was not in my plans', Ibarra had said, shortly after the elections that brought Cerén's government to power. He agreed to join it because of the president-elect's embrace of the 'paradigm of *buen vivir*' and commitments to address the country's environmental crisis.[19]

In his new role, Ibarra pledged to work with social movements to build a new 'environmental sustainability agenda'. He also promised to embrace humility, and avoid 'pageantry', saying: 'I will continue working and living in the same way I have until today. I will not change the way I dress, I will not wear a jacket and tie.'[20]

We met at the environment ministry. Ibarra's office looked freshly painted, and tidy, but was sparsely decorated. As if he'd just moved in, and didn't know what to do with the space. As promised, he wasn't wearing a suit and tie, but a short-sleeved shirt with no collar. Like Pedro he seemed relaxed, but when we sat down, seriousness took over.

'We are the country with the worst water stress in Latin America', Ibarra emphasized. But his eyes lit up describing the prospect of a new law, for which he was advocating, to prioritise water for human over industrial consumption. This was deeply connected to the anti-mining fight: mines use a lot of water.

'New laws like this', the vice minister told us, 'are needed to make sure that everyone has access to water', no matter how much money or power they have. This, he added, can also help 'resolve conflicts' before they start.

Other government officials and advisors that we met similarly exuded hope, as well as concern. Several told us they thought that other companies were likely watching the case filed by Pacific Rim, and that they were potentially considering similar multi-million dollar challenges of their own. They described uphill battles and potentially devastating risks in their quest to work more closely with local communities and chart a more sustainable course for the country's development.

At a café in the capital, Luis Lopez, an environmental advisor to the newly elected FMLN party, told us that mining companies were pressuring the country on multiple levels, 'in the community, the local government, and via this international system'. Like Ibarra, he didn't look like a typical political operative. His long curly hair was in a ponytail, he was unshaven and his shirt was creased, its sleeves rolled up to his elbows.

Lopez was also an advocate of *buen vivir,* and what its positive and holistic vision of the future could offer the country. 'What are we supposed to do?' he asked rhetorically. 'Give in?' He shook his head. It was not a good option.

'There's a threat of more suits', he said. 'But put in this context – is the bigger threat that the people of your country die, or you get sued in Washington?'

Previously, at the national ombudsman for human rights, a publicly funded office set up after the civil war, we had found Yanira Cortez. She had also been following conflicts around mining and was similarly concerned about the industry's environmental impacts.

On her desk were tall stacks of paper. She seemed overwhelmed. She doubted her country's institutions were up to the task of regulating mining companies. 'And even if we did, if we finish up our water resources, it's not a good deal,' she said.

El Salvador, Cortez stressed, had a severe water crisis. It was under extreme environmental stress; highly susceptible to floods and natural disasters; and one of the most deforested countries in Latin America, with more than 90 per cent of its surface water already contaminated.[21] She also pointed us to the San Sebastián river, east of the capital, which was often pictured on anti-mining banners because of severe water contamination allegedly left behind by a previous gold mine. That area's experience, she explained, was crucial context for the contemporary anti-mining struggle. Mining's environmental consequences weren't merely hypothetical – there was proof.

Gold mining often uses toxic substances such as cyanide or mercury to extract the metal. The Salvadoran movement to keep these riches in the ground grew amid concern over the risks mining posed to these already-stressed, essential resources – as well as scepticism that normal people would benefit from digging them up.

We wanted to see San Sebastian for ourselves – and got lucky. International activists that Meera had connected us to, who were in the country at the same time, were headed in that direction to look at the old mine. We had to wake up at the break of dawn to get a ride with them, meeting in a parking lot just as the sun came up. We piled into a small bus where we would have slept if we hadn't been in such interesting company.

Everyone else seemed to be wide-awake, and eager to talk to us. We were the only journalists on the bus, and they wanted to know why we were there. We explained that we were learning about the struggle to ban mining and whether it was being threatened by a legal case going through a little-known but seemingly very powerful global legal system.

'So you mean ICSID, and the suit Pacific Rim filed?' one of our travel companions responded, to which others nodded. We then realised that everyone we had spoken to thus far in El Salvador – from a worker at our guest house to taxi drivers to our interviewees had known about the legal case but also the obscure World Bank branch overseeing it: the International Centre for the Settlement of Investment Disputes. They described it as a sort of supreme court, far away, determining their futures.

As we drove east, slowly on poorly paved roads, we also learned more about these people. Among them were campaigners from other Latin American countries fighting their own battles with expanding extractive industries. They had come to support the local anti-mining movement, and to learn from it. One American man told us he had come to El Salvador many times over the years – including during the civil war and the time of the 'Sanctuary movement' in which some US religious congregations took direct action to support refugees fleeing violence.

That movement was subjected to a US government crackdown including a long-running investigation with paid informants and undercover agents. In the

mid-1980s, a series of high-profile criminal prosecutions targeted sanctuary activists in Texas and Arizona and charged them with facilitating illegal migration.[22]

Salvadoran activists then told us more about the San Sebastian mine. It had been operated by a Wisconsin-based company called Commerce Gold, until 2006 when the government revoked its environmental permits and didn't renew its exploration licenses. Foreshadowing the case launched by the Canadian mining company that brought us to El Salvador, Commerce Gold didn't leave without a fight. In 2009 it also filed a suit against the country at the same World Bank branch that Pacific Rim would later go to, demanding at least $100 million in compensation for not being allowed to continue mining.[23]

Evidence had been mounting that mining had devastated the environment and health of local communities. But, we'd learn, this wouldn't have been relevant for the tribunal which had a narrow mandate: to consider if El Salvador had violated the company's 'rights' as a foreign investor. That case didn't go the company's way – it was dismissed by the tribunal which said it didn't have jurisdiction over it.[24] It left the country – but we soon saw some of what it left behind.

Off the bus, we walked along the river. We saw abandoned tools and barrels that local activists said were believed to be contaminated with toxic waste. They described enduring concerns about the impacts of chemicals from the mine on the river, which a 2012 government study had shown contained nine times the acceptable level of cyanide and 1,000 times the acceptable level of iron.[25] We stopped on a bridge across the water and saw women and children washing clothes and bathing in its murky waves.

Independence day

The contested mining project that Pacific Rim had run, in El Salvador's central Cabañas region, seemed to have been fittingly named 'El Dorado'. It was also the name of the mythical city of gold which had drawn legions of explorers and colonists to Latin America. Local activists described mining companies as new imperialists, and said that this project threatened the whole country's independence.

On 15 September, as Meera had suggested, we arrived in the area near El Dorado. It was the date of the hearing on the legal case's 'merits' at the World Bank – and the day on which, every year, many Central American countries celebrate their independence from Spain in 1821, after almost three centuries of colonial rule. This was no coincidence: El Salvador's lawyers had suggested this date for its symbolism. The company's case, they agreed with activists, threatened the country's sovereignty.

Driving north from the capital, we had seen from our car's windows many typical independence ceremonies – with local marching bands and children twirling batons in village street parades. At our destination, a temporary stage had been erected in the middle of a square. Children were playing. But the banners that had been strung up demanded that the company 'get out' of the area and that El Salvador ban mining once and for all. Between musical acts, speakers on stage echoed these messages.

It was a celebration – but of resistance, rather than independence. And it seemed to have attracted everyone who lived in the local area. We took seats amid hundreds of other people under a blue tarpaulin tent, and then took a walk around the square.

In a small park nearby, we met a 24-year-old local farmer named Jose Bolmorin, who described his concerns about mining activities. 'They only say the great things it will bring; development, jobs for the people, but it doesn't happen like that, even if it did make money, it's not more important than health', he insisted, asking us: what are promised 'economic benefits' worth, in the end, 'if you're sick all the time?'

'We still have to fight for our independence', added Hector Berrios, a local activist who we also met that day. His black t-shirt was emblazoned in yellow with the anti-mining movement's simple but powerful slogan: 'No to mining, Yes to life'.

Berrios told us that he wanted mining companies to listen to the festival's message, and leave the area. He described violence against those who opposed mining, and how it had affected him personally. 'Even during the war I wasn't so afraid of being killed', he said, about death threats against himself and his wife. Once, he added, they had been drugged by armed men who ransacked their home and stole files related to their activism.

Behind him was a mural of Marcelo Rivera, a fellow local activist who had disappeared on 18 June 2009 – three days after Pacific Rim filed its international suit against El Salvador. His naked body was found weeks later, in a well, bearing signs of torture: he'd been beaten, his fingernails removed, his trachea broken.[26]

Rivera's name came up frequently in our interviews – because of the gruesome nature of his death, but also because there seemed to be little faith that officials had fully investigated it and whether he was murdered for his anti-mining activism.

Yanira Cortez, from the state's human rights office, told us it was clear that 'the start of mining and the beginning of tensions have an intimate relationship'.

Her office had also issued a statement warning that authorities had 'not taken all possible actions nor exhausted all lines of inquiry to clarify who the intellectual and material perpetrators of these crimes are'. It warned of ongoing threats, and a 'lack of protective measures and comprehensive reparations for affected families'.[27]

The international legal case over the El Dorado mine would drag on until late 2016. In the end, the World Bank tribunal sided with El Salvador, and the company (then OceanaGold) was ordered to pay $8 million to cover some – but not all – of the country's legal costs.[28] Though this was not the end of the story – and activists seemed to see it as a relief, rather than a victory.

El Salvador's defence had cost $12 million – and so it was still out of pocket by $4 million. The company took another year to pay the government what it was ordered to, and until 2019 – a decade after the case began – to complete sales of its property, dissolve its assets, and concede that it did not plan future investments in the country.[29]

A huge amount of time and energy had been spent on this case, which could have been spent supporting communities and protecting the environment. But, while delayed, Pedro's dream of a mining ban did finally become a reality. In March 2017, Salvadoran lawmakers voted overwhelmingly to prohibit all mining for gold and other metals, making the country the first in the world to impose such a nationwide ban.[30]

This was our introduction to what's called the international investor-state dispute settlement (ISDS) system that corporations have used to challenge government actions across the world. On the ground in El Salvador, we learned how this system seemed to be squeezing the country and making it harder, or more costly, for it to protect its environment and its people.

Next, we'd go to Washington DC and into historical archives to learn how this system expanded around the world – and how contemporary concerns about its impact on independence and democracy had been eerily forewarned.

Chapter 2
Corporate courts

Out of control

On our way back to London, we made a 48-hour stop in Washington DC – where the mining company's case against El Salvador had been filed at the World Bank's little-known International Centre for the Settlement of Investment Disputes (ICSID).

After sleeping restlessly on friends' sofas, we met the next morning on K Street. So infamous for housing corporate and political lobbyists, its name had become synonymous with influence peddling. Its clients included giant companies and authoritarian regimes spending millions a year to whitewash their reputations.[1]

Pacific Rim, the mining company that had filed the case we were looking at, had also hired professional influencers from this neighbourhood. US lobbying disclosures showed that the corporate law firm Crowell & Moring spent at least $300,000 between 2009 and 2014 lobbying the US government on behalf of the company and for the 'development of the El Dorado mine', including meetings with the White House.[2] A second firm, Otto Reich Associates, had also met with representatives of Congress and the State Department on its behalf, about an 'investment dispute impacting foreign relations'.[3] It had been set up by a former US ambassador to Venezuela who also served in George W. Bush's government.[4]

But we had come to this street to visit the office of Luis Parada – El Salvador's lawyer, defending it against the mining company. He was the first of many lawyers we would meet who have specialised in the international investor-state legal system.

In a large lobby we were directed to elevators. As we moved up towards Parada's floor we took out our notebooks and opened them to our prepared questions. The lawyer, we assumed, would be very busy. His CV featured impressive degrees – West Point military academy, Georgetown law. He

had spent more than a decade at top law firms, and was now one of a small group of lawyers in the world who specialize in investor-state cases. His time was surely expensive, and we didn't expect much of it.

We wanted him to explain to us the inner-workings of the case El Salvador faced, and what had happened during the hearing on its independence day. We also wanted his views, as an inside source, on how this investor-state legal system could have grown so globally powerful with so little scrutiny.

When the doors to the elevator opened on his floor, we were suprised to find Parada immediately in front of us, apparently eagerly waiting for us. We followed him down a corridor to a glass-walled meeting room where we sat down and he started our meeting with questions of his own. He wanted to hear about our trip: what people were saying on the ground, and what the 'Festival of Resistance' near the mine site had been like.

We told him what we'd learned then, but also in the capital, and in the area near the San Sebastian river, polluted from previous mining activities. In interviews with local farmers, community activists, environmentalists, Franciscan monks and national politicians, there had been a key theme: that the company's case threatened El Salvador's very independence and ability to decide its own future. Beyond the vast sums of money that were at stake, people told us they were worried that it could delay the passage of laws to ban mining and address the country's clean water crisis.

Then it was our turn. Why was this case taking so long to resolve? Was it an exaggeration to say it threatened the country's sovereignty? And was it unique?

The lawyer leaned forward in his chair. 'This system is out of control', he told us firmly. Using his hands, he charted in the air a massive explosion in such cases since the 1990s. While this legal system had been set up decades earlier, he said it had taken time to take hold and grow. He gave us several reasons for this, including a boom in the number of investment treaties, laws and contracts that give multinational companies and investors access to its tribunals.

He knew this history well, having joined the legal industry around these cases in the 1990s himself. His first such case was on the defence team for Argentina's government after it was sued in 1997 by the French utilities conglomerate Vivendi.[5] What prompted that dispute? Amid a popular uprising against water privatisation, the Tucuman provincial government, Parada explained, had stepped in to limit the price residents were charged for water and wastewater services. The company objected. It lost that case, but resubmitted its claim and emerged with a $105 million award the second time.[6]

Since then, there had been no shortage of work. Though unlike many other lawyers in the industry who represent both companies and states, he'd picked one side: defending states. And as this field grew, so did his discomfort with it. The mining company's case against El Salvador should never have happened, he argued. It was, he said, essentially about 'whether a foreign investor can force a government to change its laws … as opposed to the foreign investor complying with the [country's] laws'.

He repeated the Salvadoran defence that we had read in its legal filings: the company lacked necessary permits required to mine and didn't even have proof that it held all of the land it needed. Even without national opposition to mining, it couldn't go ahead without fulfilling these legal requirements, and it shouldn't be able to get an exemption from them by going above local courts to Washington DC.

Parada explained that proponents of this system, and international treaties that enshrine it, argue that it can boost foreign investment into developing countries by giving investors assurances that they'll be treated fairly. He said that he thought this system 'was created with good intentions, but in practice it has gone completely rogue, and nothing can bring it under control'.

'I personally don't think countries get as much from these treaties as the risks that they incur', he told us. 'Let's put it this way, if I were the President of a country, I wouldn't be happy with my country being a party to this system.'

But getting out of this system isn't easy once you join it. The treaties that enshrine it, Parada continued, often have 'sunset clauses' – meaning their provisions stay in force for years, even decades, if the treaties are cancelled. Withdrawing from them could even trigger cases if investors rush to use them before they expire.

He paused to let this sink in. It made us think again of what had surprised us in El Salvador: even presidents and parliaments can't really stop this?

To dismantle this system, Parada concluded, it would take 'a broad consensus of determined states'. It would be hard for any one country to do it alone.

We found it striking that this elite lawyer, who made his own money off of such cases, albeit on the defence side, seemed so strident in his belief that his industry shouldn't actually exist at all. If it were ever dismantled, as he argued should happen, wouldn't he be out of a job? We had expected him to vigorously argue El Salvador's case, but not to question the validity of the whole system.

'I have not seen a critical mass of states with the political will [to tackle it] much less a broad consensus,' he said with regret. 'But I still hope it happens.'

Into the archives

Back on K street, we turned a corner and within about ten minutes found the World Bank's main campus in Washington DC – a large complex of buildings spanning several city blocks. Somewhere inside them was ICSID, the little-known branch where the mining company was challenging El Salvador.

ICSID's website called it the 'world's leading institution devoted to international investment dispute settlement', saying it had 'administered the majority' of these cases globally. It also said it 'contributes to the [World Bank's] overall goal of poverty reduction' by promoting foreign investment via 'providing confidence in the dispute resolution process', not unlike Parada's description of proponents' claims.[7]

We wanted to see for ourselves the place where El Salvador was being threatened with a multi-million dollar legal claim for not allowing that mining company to dig for gold. We also wanted to know more about the ICSID branch itself. We wanted to explore the institution's archives and see for ourselves the 'good intentions' that Parada said he thought had existed at the start, before the system went 'rogue'.

We needed visitor passes to get into the World Bank, which we had begun to arrange weeks in advance of our trip – as well as an appointment to enter its archives. Some historical files, letters and photographs could only be found there, in person.

An archive staffer was expecting us. She watched us as we left all of our belongings in a locker outside of a reading room where she led us to a table. She gave us pencils and paper to make notes; gloves would have to be worn to touch photographs; we'd have to sign in and out even to go to the toilet.

The reading room would close at 4pm, sharp. We had limited time to find what we were looking for. We skipped lunch and spent it huddled over documents instead.

We could request one cardboard box of historical records at a time. They were each labelled with numerous codes. We were given cards to track when and where we removed files from a box, to replace them in exactly the same position.

Everything seemed impressively and logically organized. But we still struggled to find the transcripts and initial proposals on setting up the ICSID branch. There must have been meetings about it. Who had championed it? Who were they talking to? Did anyone disagree? And, crucially, where were the notes?

We requested boxes of records from the offices of the first presidents of the World Bank. We found copies of letters from these men thanking people

for gifts, or to staff arranging for the shipment of their belongings from continent to continent, between international postings and conferences. But, box after box, we came up short.

The staffer seemed to sense our frustration, and came up to our table. 'If you tell me a bit more about what you're looking for, maybe I can help,' she offered.

We explained. She responded with an uncomfortable, puzzled look. She couldn't remember a previous request for ICSID's files. She wasn't sure where they were. Finally she suggested that perhaps ICSID had its own archive, in its office. We could try there?

We asked her for directions to the ICSID office, and were surprised that she looked puzzled again. 'I assumed you knew where it was.'

But she checked her computer, dialled a phone number and got us some answers. Some of the files we wanted did exist, and had even been reprinted in a multi-volume set of books which we could find at ICSID. We got an address too.

Thanking her for help, we left the reading room and collected our things from the lockers outside. A clock on the wall said it was already well into the afternoon. But at least she had saved us from spending the whole day in the wrong place.

ICSID's offices were in the Bank's J building – across the street from its main building on Pennsylvania Avenue, where we'd been at the archive. We'd imagined that once we were in the right building it would be enough to ask people there for specific directions. But those we stopped in the lobby and corridors also gave us puzzled looks.

Some of them didn't even seem to recognise the name ICSID, asking us to repeat it. But when we finally found this branch's offices, we saw that it occupied an entire wing of a floor. It wasn't well known, but it certainly didn't look small.

We went through a glass door and found the person that had answered the archive staffer's phone call. She was friendly and took us on an impromptu tour of the office, showing off its file rooms, meeting rooms and desks for what she said was the centre's rapidly growing team. 'Our office wasn't always this big,' she emphasized.

It made sense that it had grown as ICSID statistics showed the same boom in cases that Parada had sketched out with his hands in the air in his office. By mid-2014, almost 500 cases had been registered, almost all since the late 1990s.[8] (By late 2021, that total would rise to almost 900, with the equivalent of more than one a week that year.)[9]

Latin America was the most-challenged region with about a third of all cases, but countries around the world had ended up in the dock here. Pie charts in caseload reports also showed slices for Africa, Asia, Europe and North America.[10]

Most of these cases were filed under similarly little-known 'bilateral investment treaties' (another of a growing list of acronyms we had to learn: BITs) signed between countries. Mining, oil and gas companies and investors had filed the largest number of cases, but there had also been claims by those in agriculture, transportation and other industries.

Once we'd circled the office back to her desk we asked where we could find the books we'd been told about, compiling historical files from ICSID's foundation. She nodded and disappeared into a storage room, returning with a cardboard box. It looked heavy. She lifted the lid slightly to show us that inside was a stack of thick books with dark blue covers. 'We have extra copies,' she said. 'You could buy them from us.'

We'd come to the World Bank complex to find these documents, but we hadn't expected to be able to take copies home where we could study them more thoroughly. We took out our wallets, but she waved them away. We had to get a money order, which she suggested we could find at a shop down the street. If we could return within the hour, the books would be ours. Another hurdle.

We shot out of the building and found the shop she'd recommended. Back at the Bank, we flashed our visitor badges at security and ran up the stairs, arriving ten minutes before the office was supposed to close. We left feeling triumphant. We hailed a taxi and put our bounty between us. That cardboard box of big, heavy books containing thousands of pages from the early days of this international system. It would be a long trip home, but that meant many hours to dig into this history.

El No de Tokyo

We packed that box of books into a carry-on bag, which came on the plane to London with us. We didn't sleep during our overnight flight. Instead we turned on the lights above our seats and thumbed through as many pages as we could.

Over the ocean, we learned that some poor countries had been sceptical about, and resistant to, the international investor-state legal system from the start. Generations ago, they had warned that it threatened their sovereignty – just as El Salvador was now saying. This seemed to conflict with Parada's idea that it had been set up with good intentions but had gotten 'out of control'.

The papers included 'summary records' from regional meetings ahead of ICSID's establishment, including one in Santiago, Chile where World Bank delegates from twenty Latin American countries gathered in February 1964.[11]

According to that record, Argentina's representative 'found great difficulty in accepting the principle underlying the draft [ICSID] Convention', and 'felt that to detract from national sovereignty was not an acceptable method for improving the investment climate'.[12] Something that meanwhile 'raised doubts' in the

mind of Brazil's delegate was that 'foreign investors would be granted a legally privileged position, in violation of the principle of full equality'.[13]

The record from another regional meeting, in Asia a few months later, captured how India's representative warned that the proposals 'gave investors additional rights of unspecified scope' without saying anything about their obligations.[14] He also seemed worried about plans being pushed through without enough debate. The record said 'he hoped that before the final draft of the [ICSID] Convention was adopted by the Bank and recommended to governments it would be considered in a wider forum'.[15] A Thai delegate meanwhile 'stressed that the views which he had expressed were not final and should not be considered as committing the Thai Government in any way'.[16]

Then, a group of twenty-one countries – nineteen from Latin America, plus the Philippines and Iraq – voted against the World Bank's proposals at its 1964 annual meetings in Tokyo that September.[17]

A representative for Chile explained this group's opposition, saying:

> 'The new system would give the foreign investor, by virtue of the fact that he is a foreigner, the right to sue a sovereign state outside its national territory, dispensing with the courts of law. This provision is contrary to the accepted legal principles of our country and, de facto, would confer a privilege on the foreign investor, placing the nationals of the country concerned in a position of inferiority.'[18]

Among insiders, this became known as the 'El No de Tokyo'.[19] But despite such opposition to the proposal, it moved forward regardless. Andreas Lowenfeld, a German-American legal academic who was involved in some of that period's discussions, later said: 'I believe this was the first time that a major resolution of the World Bank had been pressed forward with so much opposition.'[20]

From El Salvador to South Africa – where we would go next – we'd hear a variation of the same thing: that surely the government officials who signed up to the international investor-state legal system didn't know what they were getting into. They couldn't have known that their countries' independence would be at stake, when they ceded power to this system and its treaties and its tribunals.

But it was clear, in black and white on our tray tables: some did know from the start, and make their concerns clear. A bloc of developing countries had opposed it, to defend their sovereignty. The system was set up despite this.

Follow the money

Back in London, we made a spreadsheet of every investor-state case that had been filed at the World Bank centre, which was formally established two years after that Tokyo meeting, in 1966. We studied it for trends across time, regions and industries.

But it was these questions that we kept returning to: could our governments and elected officials actually be in charge of less than we thought? Why hadn't we heard more about this before? Was this international legal system the reason why, for example, even progressive governments weren't taking more aggressive action against climate change, or to protect worker's rights?

That afternoon, we took advantage of running into Gavin in the corridor of the CIJ to tell him about what we had learned and get his advice on our next steps.

We described the striking parallels between what Salvadoran activists told us – about the company's case threatening their independence – and the protests of developing countries at the creation of ICSID half a century earlier. He chuckled at our retelling of how we got the documents that showed this but then looked very serious as we described what they contained.

Along with the interviews we'd done in El Salvador, which Gavin said showed why all of this mattered, he was impressed with the historical files we'd brought back, and our meeting with Parada. This wasn't surprising: he loved inside sources.

He also made us think about what was, and was not, being said. He made us realise that the case against El Salvador was indeed unique in an important way: the amount of public attention it had received in the country. Unlike the workers at the World Bank who looked puzzled when we mentioned their ICSID branch, everyone we had talked to in the Central American country knew of it (by its Spanish acronym 'CIADI').

But what about the cases which governments don't publicly fight, like El Salvador's seemed determined to do? How many of these disputes are resolved behind closed doors, without citizens and taxpayers ever knowing about them?

We left Gavin's office with three ideas: first, we would try not to lose sight, no matter how far we dug into details, of our instinctual questions about how this system affects and may even overrule democracies; second, we would next look into cases in which there was even less publicly available information – in which the governments involved didn't publicly disclose disputes and defend themselves; third, we would 'follow the money' because it could help us better understand who the key players are.

To do all of this, Gavin suggested, we should stay in touch with Parada and try to spend more time with as many inside sources – people and documents – as we could. In our windowless room again, we studied the websites and publications of law firms specialising in these cases; their press releases, newsletters, briefings, and promotional materials for their current and prospective clients.

With such big amounts of money involved in these disputes – for all of the bills, let alone potential awards – we learned that challenging governments at international tribunals through the investor-state dispute system had become a

very big business. A huge industry had grown around this legal field, complete with a slick conference circuit, trade publications and industry awards. There were also elite consultants who specialised in helping foreign investors and multinational companies to structure their businesses overseas in order to gain access to this system through the 'best' treaties for them.

At the law firm King & Wood Mallesons in London, Andrei Yakovlev told us: 'It's no longer black magic. Now pretty much every firm, every even medium sized firm in this city, would say, yes, we can do investment arbitrations.'

These cases were generally overseen by tribunals of three professional 'arbitrators'. Online, we found the transcript of a talk by John Ruggie, a former UN Special Representative for Business and Human Rights, warning that these people are usually 'contract lawyers who don't give a damn about human rights obligations'.[21]

We also studied the records of hundreds of ICSID cases to take a closer look at who these people are. Most were European or North American men. They included former government officials, as well as former (or current) corporate advisors and lawyers. Examples included a Canadian former UN ambassador who also previously sat on corporate boards including that of mining giant Rio Tinto[22]; the senior White House official responsible for international trade and investment in President George W. Bush's administration[23]; and a former lawyer to the Mexican government during negotiations over the North American Free Trade Treaty (NAFTA) treaty that gave rise to many new cases.[24]

Something else that El Salvador's lawyer said had stuck with us: investor-state claims were increasingly seen as an 'asset class' in themselves. There were now specialized financiers that invested in them, taking cuts of any eventual awards.

Parada thought this had something to do with the rise in cases, telling us: 'I think it is fueling a lot of arbitrations that wouldn't have even started.'

There didn't seem to be anything like legal aid for states to defend themselves in these disputes. But it seemed like some companies could mount cases without having to foot the bill – and challenging states had become a business in itself for law firms but also so-called 'third-party funders'. It had become a way for people unconnected with the disputes at hand to get rich or richer.

Burford Capital, a leading third-party funder, claimed 'a particular specialty in investment treaty arbitration'. Echoing Parada's speculation, it said it could make the difference between cases 'being heard and needing to be abandoned'.[25] It had an office in Croydon, south of London, as well as one in Manhattan.

Among Burford's investments was its support for a British power investor called Rurelec. It had filed its case against Bolivia at the Permanent Court of Arbitration in The Hague, rather than at ICSID (which handles most but not all of these disputes). It demanded around $150 million in compensation after the

country nationalized Empresa Electrica Guaracachi, its largest energy provider, in 2010.[26] Rurelec had held a majority stake in this company – but just barely, with 50.001 per cent of its shares, and only indirectly, through a US subsidiary under a holding company registered in the British Virgin Islands. This structure let it file for damages under investment treaties Bolivia had signed with both the US and the UK. In 2014, a tribunal ordered the country to pay it $29 million.[27]

Burford put out a triumphant press release about the case and its role. It announced a net profit of $11 million from the dispute. It also said it was an example of how, more than 'simply helping to pay legal fees', third-party finance can 'help companies achieve their strategic goals'.[28]

'Rurelec did not need capital to pay its lawyers. Rather, it needed capital to continue to grow', Burford explained. It gave the company a $15 million loan to further expand its business during the dispute – using its claim against Bolivia as an asset to secure it. This enabled the company to 'monetize the value' of its case.

Another financier at a London-based outfit also told us he believed 'without funding, a good chunk of these treaty cases wouldn't have happened'.

It seemed like a notable pattern: Many of the financiers and law firms involved in these cases had offices in London – home for both of us at the time – though they seemed to belong to a parallel world, outside of scrutiny. But our time in El Salvador had taught us that their obscure and jargon-rich dealings had very real consequences.

Chapter 3
Secret insurance

Foresti vs South Africa

Some law firms seemed explicit in their communications that gaining 'leverage' was something a company could get out of a case filed through this system.

In a briefing paper for their clients, the US firm K&L Gates suggested that they could use the threat of such a case as a 'bargaining tool' in negotiating with governments.[1] Another UK firm, Clyde & Co, said they could use the 'potential adverse publicity' of a case as 'leverage in the event of a dispute' with a state.[2]

It sounded like what we'd seen in El Salvador. That case ultimately seemed to be about challenging government policy and requirements to start mining. Though because it wouldn't be resolved for years, we decided to turn next to an already concluded dispute. We filtered our database of ICSID cases for those marked 'concluded'. One caught our eye: *Foresti vs South Africa*, which had been launched by investors in the mining industry in South Africa in 2006.

It had lasted a comparatively short three-and-a-half years. It ended in 2010, with the investors' claims 'dismissed with prejudice' by the tribunal.[3] It seemed, in this case, that the country had emerged victorious. We wanted to know more about what was at stake and what went into this result, from those who'd know best, on the ground.

A month later, we boarded a flight for Johannesburg, South Africa's mining capital. On the plane, we reviewed files we'd found for the case, which cited investment treaties signed with Italy (in 1997) and Luxembourg and Belgium (in 1998), not long after the end of its apartheid regime. That period had been one of vast and well-documented change. Nelson Mandela, out of prison, had been elected president in 1994. A new constitution was then introduced in 1996 – often described as one of the world's most progressive, among other things because it outlaws discrimination based on characteristics like race and gender.[4]

The ICSID record for this case listed numerous claimants – members of the Foresti and Conti Italian families of industrialists from the Carrara region, as well as a company, Finstone, incorporated in Luxembourg.

We could not find significant international media coverage of this case either, which surprised us the more we learned about it. The dispute was not disconnected from era-defining events. South Africa had been challenged over post-apartheid policies to redress racial injustices.

A few years before these investors filed their case at the World Bank's ICSID branch, South Africa's new post-apartheid Mineral and Petroleum Resources Development Act came into force. Along with a new mining charter, this law sought to redress inequalities and required companies to partner with citizens who had suffered under apartheid.

It effectively terminated all previously held mining rights, and required that companies reapply to continue operations, instituting a mandatory 26 per cent ownership stake in mining companies for black South Africans.[5] This was what the Italian industrialists decided to challenge internationally.

It was hard to believe that wealthy European investors could have contested this post-apartheid policy at an international tribunal without their case being internationally covered by the media – and condemned by the public. But there seemed to have been barely a murmur in the global press as they used the investor-state dispute system to claim that new Black Economic Empowerment policies were 'unfair' and had effectively 'expropriated' their investments. They demanded more than $350 million in compensation.[6]

For their part, South African officials, it seemed, had tried to keep a lid on the case – they hadn't forcefully condemned it publicly, as a threat to their sovereignty, as the government had in El Salvador. Some local civil society groups had found out about the dispute anyway, and had petitioned the international tribunal to let them participate in the case. They were eventually allowed to submit a written briefing, but not to attend the hearings.

A densely worded document on ICSID's website said the investors had requested a discontinuance of the case, and that they were ordered to pay part of South Africa's legal costs.[7] A government press release from that time celebrated this result as a 'successful conclusion'.[8] But the details didn't seem to add up.

The investors were only ordered to pay hundreds of thousands of dollars towards the country's costs – leaving it with millions in legal fees that still had to be paid with public funds. Shortly after this dispute ended, South Africa started to review the international treaties that gave investors access to this legal system, and began cancelling them.[9]

It actually seemed to be one of the few countries actively trying to get out of the game – as Parada, El Salvador's lawyer, had recommended while explaining how challenging this is to do. Why was South Africa embarking on this difficult task, if the result of that case had been a 'success'?

Marikana tombstones

We landed in Johannesburg after overnight flights with a several-hour stop and connection in Addis Ababa, Ethiopia. We had booked rooms at a small guest house in Melville, which our research had told us was a 'bohemian suburb' of Johannesburg west of its central business district, with many popular restaurants and bars.

We had a full itinerary of interviews booked for our time in the city – including with a South African government advisor, lawyers for the Italian investors, and some of the human rights groups which had tried to intervene in that case.

But we also wanted to see some of the investments at the centre of the dispute. And unfortunately we didn't know exactly where to find them or how we would get there.

We had found descriptions and some vague addresses for some of the quarries and factories in the Italian investors' empire: 'a 20km long outcrop running from north of Marikana to north of Rustenburg' (but how could we find this?), or 'Main Street, Marikana' (with no number). We considered hiring a car and driving to the area – maybe there would be signs to follow, or people to ask for directions?

If nothing else, we thought, travelling to the Marikana mining district would give us a sense of the place where many of the investors' operations were located. It was also well-known internationally and seemed to epitomize injustices in the South Africa mining industry, one of the world's largest. It felt important to see it in person.

Outside our guest house, we stopped at a street corner where we saw a taxi, parked in the shade of some trees. We approached it and the driver rolled down his window.

'Do you need a ride?' he smiled.

We explained that we wanted to hire him, but not immediately, and not for a short drive in the city. We wanted to leave Johannesburg, and go north. We wanted to hire him and his car for a full day.

He hesitated but then began negotiating. We accepted his price and terms and walked back to our guest house happy. We'd solved our most urgent logistical problem. We'd just have to wake up the next morning very early, before the sun rose.

It was still dark as we drove out of the city, and the driver reminded us of his terms: we'd have to be back in Johannesburg before the sun set, as he had important plans that evening. Outside the city he turned on the car radio and kept it on until we saw a sign for Marikana.

When we arrived in the mining district, we saw how vast it was: a sprawling stretch of territory occupied by numerous gold, silver and other mining operations.

Though it was less than 150 kilometers from Johannesburg, it felt very different, and isolated. It was arid, and the land around the road we were on was largely flat.

Out of our windows, we started to see signs marking the properties of multinational mining giants. The world's largest platinum company Anglo-American's 15 mile-wide mine whizzed by on the left. Then signs for Glencore Xstrata, the tenth largest company in the world, and its vast coal mine. Soon, the site of the infamous 2012 massacre of striking workers at the Lonmin mine came into view.[10]

The roads themselves seemed empty apart from the occasional oversized SUV turning into mine sites surrounded by fences and large gates. Corrugated iron shacks peppered the route into town. People took shade under dog-eared tarpaulin, selling cans of Coca-Cola and Fanta from small stands and informal shops. We saw numerous fried chicken shops, moneylenders and expansive slums.

The town of Marikana itself had the kind of bustle you might expect from a pop-up mining town in the middle of a desert. Colonel Sanders beamed down from the side of a KFC bucket outside one of that chain's restaurants and there seemed to be a surfeit of shopping centres. We took out our notebooks with the vague directions, partial addresses and names we had written down of what we were looking for: some of the properties in the empire of the Italian investors that had challenged South Africa at the World Bank centre in Washington DC.

After about an hour, we had driven through part of this district as well as the entire town. We stopped several times to ask people on the side of the road if they could direct us to the granite sites. So far, this hadn't worked. We decided to return to Main Street, because it was supposed to be home to at least one of the sites we were looking for. We would stop at every building, if needed? We still had time before our driver's deadline to leave the area.

Finally, we spotted something: a small, simple white sign with 'Minaco' written on it, pointing down a side street. It was the name of a granite processing subsidiary of the Finstone Group that had also been named in the case. Its website said that it was 'the largest manufacturer of thick granite slabs in Southern Africa', supplying local and export markets with 'cut-to-size monumental components'.[11] It showed off pictures of banks across Africa and Mormon churches in the US constructed with its materials, which it said was also used for tombstones.[12]

We directed our driver to follow the side street down to the end of a cul-de-sac where we found a factory. He waited for us in the car, listening to the radio, as we stepped out and walked through imposing wire fences to the building.

It was a Saturday afternoon and the factory was still open but its bosses were away and we found a small group of workers, taking a cigarette break in the middle of their 10-hour shifts, who were surprisingly candid about their conditions.

One of these workers introduced himself as 23-year-old Mpho Masisi. He was quick to tell us that the work at the factory was hard, their bosses were harsh, and 'in terms of money, we are not getting anything. We are still struggling'.

'We are working 10 hour shifts and get 140 Rand [$9.65] per day', he elaborated, explaining that Marikana wasn't a cheap place to live and that he and many of his co-workers often worked six days a week in order to make a bit extra. Many people he knew were indebted to local moneylenders like those we'd seen on the drive.

These workers also had to fight hard for the small sums they took home. Masisi told us that their working conditions and pay had gotten so desperate in recent years that they had only just returned to work after a two-month strike. 'I think it's worse than other companies,' he claimed. 'From my experience, it's worse.'

The whole story

The South African government had celebrated the end of the Italian investors' case as a 'success' for the state. But what we found in Marikana didn't look very good for its people. And official records, we were learning, didn't always tell the whole story.

In this instance, the investors seemed able to claim a much more significant victory. While they had requested the dissolution of their ICSID case, they had struck an unprecedented deal with the government – allowing their companies to transfer only 5 per cent of their ownership to Black South Africans, rather than the 26 per cent mandated by the new post-apartheid mining laws.

At that time, one of the investors' lawyers Peter Leon boasted: 'No other mining company in South Africa has been treated so generously since the advent of the [new mining regime].'[13] He also seemed to claim victory – for his clients.

So who really 'won'? This is what we asked ourselves as we waited in the lobby of his firm's office in Sandton, an upscale suburb of Johannesburg. It's also what we asked Jonathan Veeran, Leon's colleague, after he ushered us into a slick meeting room. We skipped introductory questions and went right to the point. How did the investors view the conclusion? Did they get what they wanted?

Veeran nodded vigorously. 'They were most pleased with the result', he said, suggesting that the South African government's press release at the time had been misleading. They had actually settled with the investors outside of the tribunal process – effectively giving them an exemption to the Black Economic Empowerment policies they'd challenged. Why? He thought they were afraid of similar challenges from other companies. 'They wanted it to go away.'

Settling quietly, Veeran explained, seemed like a tactic by the government to try and prevent a flood of other claims. 'If the merits of the case were decided against the government, they thought, "That's it, we are going to go down." And I think that's why they were happy to agree to that settlement.'

We left that meeting somewhat satisfied. What Veeran told us had made sense to us, and it had confirmed our suspicions that the 'success' for South Africa in the government's press release wasn't the whole story.

We could understand why the government might have been afraid of other similar claims. But hiding the case, and potentially misleading people about the result, didn't sound good either. As journalists – in the business of revealing information in the public interest that the powerful want to hide – it was also still troubling that the international media hadn't closely covered this story before.

We took a taxi back to the Melville area where we were staying and went to a small restaurant that was just opening. Over sandwiches and several rounds of coffee, this is what we kept coming back to. The South Africa case was only the second investor-state dispute that we had dug deeply into, after El Salvador. But each seemed to contain very important, untold stories and extremely high stakes.

In Johannesburg, one of the people we'd scheduled to interview was Jason Brickhill, a lawyer at a human rights organization called the Legal Resources Centre (LRC) which had been founded under apartheid in 1979. By the time we visited it had dozens of lawyers on its staff and a clear, proven mission to use the law to secure justice for vulnerable and marginalized people, including the poor, homeless and landless.

The LRC's offices were in a towering, concrete building named after Bram Fischer. He had been a prominent South African lawyer of Afrikaner descent who'd defended anti-apartheid activists – including Nelson Mandela – before being charged with conspiring to overthrow the government and sentenced to life in prison.[14]

We took the elevator to an upper floor and found the organization's base adorned with posters and photos from its past campaigns. We then found Brickhill – hard at work in his room, bent over his desk where books were opened in front of a computer.

We knocked on his door, which was part-open already. 'Jason Brickhill?'

He sat up quickly and made it clear that he knew who we were, and was expecting us. He'd brought two extra chairs into his office in preparation for our meeting; he'd just lost track of time. 'You're looking into the Foresti case,' he began.

The LRC was one of the human rights groups that had petitioned the World Bank's ICSID to submit arguments in the case against South Africa. This was before Brickhill's time, but he was familiar with the dispute.

We told him how the investors' lawyers, had described the conclusion as a victory for their clients, effectively granting them an exemption to Black Economic Empowerment laws. Did he also believe that the government had settled, quietly, because they feared similar claims from other investors?

Brickhill nodded. He also saw the government's decision to agree a deal as 'a pragmatic settlement', he said, 'in the interests of protecting the overall regulatory system – make one exception to keep the whole intact'.

'I can understand that sort of pragmatism,' he continued. But the case was also a 'huge wake-up call' for the South African government, he told us, in terms of understanding the risks of international investment treaties it had signed.

For foreign investors, Brickhill explained, these treaties 'provide much more generous protections potentially than domestic law. So that's why investors and their states would want those arrangements to remain in place'. But from the perspective of the developing countries and the interests of the public and poor communities, these agreements don't look like such good deals. Most worryingly for the human rights lawyer, they don't allow for 'human rights obligations … or for the state to have the space to regulate and redistribute, which is what our constitution requires it to do'.

'I don't think that the international system is completely beyond redemption', he concluded, 'but I do think that it works against development agendas.'

Before travelling to South Africa, we had spoken to academics warning and gathering evidence that one consequence of these treaties was what they called 'regulatory chill' – where governments decide not to pursue, or tone down, certain policies out of fear that they could provoke claims under the investor-state system.[15]

We asked Brickhill whether he'd seen any evidence of this in his country. 'I think it is a factor that informs government decisions,' he replied. 'It's very difficult to quantify, to know what's going on in that space, but certainly one picks it up.'

Brickhill also echoed something else we had heard before: that until the mid-1990s, very few countries had ever been sued through this system. It wasn't as clear then, he suggested, what was at stake when officials signed international investment treaties giving it power. South Africa's post-apartheid government seemed to have signed a series of these treaties, which would leave the country vulnerable to investors' claims, 'more as acts of diplomatic goodwill, than serious legal commitments with potentially far-reaching economic consequences'.

Officials were invited to meetings in Europe, Brickhill told us, 'and there would be all sorts of discussion about South Africa's economic and trade direction, and part of that was an expectation that they would conclude an investment treaty – but they had no real understanding of what they were committing to in law'.

No angels here

Shortly after the *Foresti vs South Africa* case ended in 2010, the country began to terminate some of the international treaties that it had signed, which gave foreign investors advance permission to take it to tribunals in the investor-state legal system. Critical to the government's calculus was an internal study that asked whether these treaties did in practice help to increase levels of foreign investment and development, as the World Bank, ICSID, and others had promised.[16]

Strikingly, it found no clear evidence to back this up. Meanwhile, it noted that South Africa was receiving significant foreign investment from countries with which it had no such agreements in place (for example, Japan, the US and India).

These were important findings. Brazil, we had also learned, was a rare example of a country that had never signed such treaties.[17] It hadn't seemed to have trouble attracting foreign investment as a result – but the system's supporters said this was an exception, and that no government should base its decisions on exceptions alone. Now, the South African government had further fractured the story.

'There was no pattern between signing treaties and getting investment', Xavier Carim told us by phone from Geneva. He was a former South African government trade official then serving as the country's representative to the World Trade Organization, and he sounded certain. He insisted: 'Companies don't come and invest in a country or not because it does or doesn't have a bilateral investment treaty. They invest if there is a return to be made.'

Carim confirmed that the Italian investors' case had been a wake-up call for the government. 'What was concerning for us,' he said, 'was that you could have an international arbitration – three individuals, making a decision – on what was in effect a legislative programme in South Africa that had been arrived at democratically, and that somehow this arbitration panel could potentially call this into question.'

'It was very, very clear that these treaties are open to such wide interpretations by tribunals, or by investors looking to challenge any government measure, with the possibility of a significant payout at the end of the day,' he continued. 'The simple fact is that these treaties give you very little benefit and they just pose risk.'

While in Johannesburg, we also met Peter Draper – another former official in the government's trade department – in a leafy suburb. Sunlight beamed into his home office through large windows. He sat at his desk, surrounded by books. Retired from government, he was still working as a consultant and seemed to have both historical intelligence and contemporary insight into how debates about this system were evolving.

Like Brickhill, he described a flurry of treaty-signing activity in the 1990s. At that time, he told us, the South African government was 'essentially giving away the store without asking any critical questions, or protecting crucial policy space'. During that period, at the end of apartheid, the state needed room to manoeuvre – to introduce new laws, enforce its new constitution and take action to address injustices. But instead it seemed to lock itself into deals that would limit its ability to do these things.

Draper added another twist, however. 'What we were doing with African countries, when we were negotiating our investment treaties with them, is that we were essentially imposing the same conditions that the Europeans imposed on us,' he said. 'So there was this paradox in our approach … an inconsistency really.'

This suggested that South Africa's government had understood the power of these treaties and the investor-state legal system – if it was imposing it on other, poorer countries where its own investors and companies were operating.

So what was it? Were officials misled into signing these investment treaties, and the Foresti case was a wake-up call? Or did they know what they were getting the country into – because they also pushed the system on others?

One of our last meetings in Johannesburg was with Bonnie Meyersfeld, then director of the Centre for Applied Legal Studies (CALS) at the University of Witwatersrand. This was another of the human rights groups that had unsuccessfully petitioned the World Bank tribunal to let them observe and participate in the *Foresti v South Africa* proceedings.

This university had previously been the site of numerous protests against apartheid. Like many other institutions in Johannesburg, it also had roots in the mining industry: it had been originally founded as a so-called School of Mines.[18]

We took a taxi across the Nelson Mandela Bridge from the centre of Johannesburg to the university's sprawling West Campus in Braamfontein.

Then we found the offices of CALS, which described itself as a civil society organisation and legal clinic that 'connects the worlds of both academia and social justice'. There, Meyersfeld stressed that the context for everything we were looking into in South Africa was an urgent need to ensure that all of the state's policies supported the ongoing dismantling of apartheid.

'Economic apartheid has thrived since 1994. Black South Africans are poorer, white South Africans are richer, with only a smattering of change in between', she said.

She didn't sound at all like a dry academic. We could hear the outrage in her voice. 'International law, on the one hand, tends not to have jurisdiction over corporate actors, even for human rights violations. At the same time, it provides protection for corporate actors … to profit', she told us.

The international investor-state legal system that we'd been investigating, Meyersfeld continued, only looks 'at one stage of the investment process' – when a state does something an investor doesn't like. She asked: what about before this period, when perhaps 'the investor goes in and exploits a lack of cohesion within a state, and exploits a high level of poverty precisely to make that profit?'

Meyersfeld said she supported the South African government's decision to review and cancel or renegotiate the investment treaties that had been signed. But she thought the government was not necessarily united on the way forward.

> I've seen a lot of arguments and infighting around how much of your fundamental civil and political rights can be compromised for advancing this anti-poverty agenda and it's not clear that there is one position … My fear though is that the government is going to be persuaded by the argument that always wins in the end that we need the capital, we need the income, and that's my concern.

'We're no angel of poverty eradication ourselves and increasingly our banks and our financial institutions are all over the continent, exploiting, and doing exactly the same', Meyersfeld added. 'We're both the recipient of oppressive investment practices and the perpetrator of oppressive investment practices'.

On our flights back to London, we went through what we'd learned. This global legal system seemed to offer foreign investors a sort of secret insurance against any threat to their interests, present or future. If a country can't decide to reverse racist inequalities, can it call itself independent? Can it call itself a democracy?

Chapter 4
Capitalist Magna Carta

San Francisco, 1957

We found another fascinating window into the creation of the international investor-state dispute system in the archives of *TIME* magazine. In the late 1950s its publisher Henry Luce sponsored what was called the International Industrial Development Conference (IIDC). At the 1957 edition of this event in San Francisco, a German banker called Hermann Abs would make his pitch for such a system almost a decade before the World Bank's ICSID was set up.

TIME magazine dedicated an illustrated, eight-page supplement to conference coverage entitled 'The Capitalist Challenge'. The specifics contained within it helped us to picture the scenes and people who were actually consulted about this system. The articles were written colourfully, with descriptions of attendees as 'an international Who's Who of high finance and high office'.[1]

'From London came financiers whose firms had bankrolled the Industrial Revolution; from Berlin the brisk businessmen who have built Europe's sturdiest economy from the rubble of war', these descriptions continued. The managing director of the Italian car giant Fiat was there. But the biggest delegation by far was a '202-man phalanx of US executives' including those from Ritz Crackers and RCA electronics.[2]

This supplement's articles seemed to describe, and trumpet, this meeting's mission as nothing less than saving the world by expanding capitalism. 'From the first luncheon in the Fairmont's ornate Gold Room, speaker after speaker at the San Francisco conference traced the irresistible upsurge of world population and the revolution of rising expectations that has grown from its hunger for a better life,' they said.[3]

'Westerners emphasized the need to protect investors in new lands seething with nationalism,' reported one article, entitled 'The Valiant Venture'.[4] Another on 'The Anti-Capitalist Attitude' said:

> One of the biggest barriers in the way of foreign investment in the world's underdeveloped countries is not to be found in the tariff regulations or the laws governing the convertibility of currency. It exists instead in the minds and emotions of those who need foreign investment most … because they often tend to equate it with 19th century-style colonialism, they are reluctant to accept it.[5]

These articles also helped us imagine the crowd at this conference, fraternizing after 'intensive, day-long sessions at the Fairmont', at parties, the city opera house, and over cracked crab and California white wine. But 'businessmen never forget that the chief business in business is business', they chirped, and many were on the lookout for new deals. One Asian delegate reportedly said explicitly: 'I am here to woo American miners. I want to convince them of the possibilities of exploitation of my country.'[6]

A celebrity banker

One of the stars of the 1957 conference in San Francisco, according to *TIME*'s record, was Hermann Josef Abs, head of the Deutsche Bank, and director of several giant corporations like Daimler-Benz and Lufthansa.

Jailhouse Rock had just come out and then rising star Elvis Presley was performing downtown. Abs turned 56-years-old while in the Bay Area, he but hadn't travelled there for rock music nor a typical birthday celebration. He had come to give a speech at that elite event – campaigning for what the magazine called a new 'Capitalist Magna Carta' to enshrine and protect 'rights' for private investors worldwide.

We pictured the stocky, mustachioed banker striding into the Fairmont Hotel in San Francisco's swanky Nob Hill neighbourhood. A short walk from the iconic Golden Gate Bridge, this is still one of the city's most upscale hotels. In the 1950s it was the pinnacle of West Coast glamour, with giant marble pillars in its luxurious lobby. For one week that October, it was also ground zero for more than 500 of the world's most prominent bankers, businessmen and politicians.[7]

By the time Abs arrived at that San Francisco event, he was a legend in the world of international finance. 'His appointment in 1937 as head of the Deutsche Bank's foreign department established him at 36 as the Wunderkind

of German banking', *TIME* would later write about him, describing how on top of becoming head of that bank he also joined the boards of directors of twenty-five big German companies and was so busy that 'much of his decision making is done on airplane flights'.[8]

This celebrity banker was born in Bonn – the western German city founded by Romans, and home to Beethoven, T-Mobile and the Haribo candy company – more than a century ago, in 1901. He'd studied law, as his father had, before deciding to pursue a career in banking. After a series of apprenticeships, in Europe and New York, he joined a Berlin bank and quickly rose through its ranks. Hitler then came to power, planning occupations in Europe, and supporting fascist allies in Spain.

Abs' further rise in the financial world took place under the Nazi regime – but it didn't end with the fall of the Third Reich. Rather, it seemed to have taken on new and increasingly international dimensions.[9] He never joined the Nazi party himself, though the Deutsche Bank had handled its accounts. After the end of the war, he was exonerated of actively supporting the regime by an Allied Denazification Board. Then, he took over an agency overseeing support to German businesses under the Marshall Plan, focusing on heavy industry.[10]

In the 1950s, it was Abs who helped settle Allied war claims against Germany, for which he received an Order of Merit from his government. In the 1960s, David Rockefeller, president of America's massive Chase Manhattan Bank, called Abs 'the leading banker in the world'.[11] He never left the Deutsche Bank, staying on its board, and as honorary chairman, until he died in 1994.

In the archives of the UK newspaper the *Independent*, we found an obituary which billed him as 'the outstanding German banker of his time'.[12] It was written by the late Eric Roll, Baron of Ipsden and former director of the Bank of England, who described Abs as an advisor to various governments and the World Bank's private investment division, the International Finance Corporation.

Roll also shared a joke about the banker: upon arriving in heaven, he finds it dilapidated and in financial ruin. Abs quickly draws up a plan for the archangels: Heaven plc, with the Almighty as Deputy Chairman of the Board. (The implication: Abs would put himself forward as Chairman, above God, in a privatised afterlife.)

The edition of *TIME* magazine in which its supplement on the 1957 San Francisco conference appeared also more widely reflected the period in which the event took place – amid the Cold War between the US and Russia, as well as a wave of growing anti-imperialist movements in developing countries.

Between advertisements for Dodge cars and electric typewriters were letters from readers concerned about the Soviet space programme. Other articles

focused on US fears about Russian technological innovation outpacing the West and who newly independent countries would align with.

Similar concerns were growing in business circles. In the nineteenth and early twentieth centuries, elites, particularly from Europe, had a powerful system of control to rely on: colonialism. But it was cracking. Freedom movements threatened to destabilize it – or destroy it.

At the San Francisco conference, Richard Nixon, then US vice president, gave what *TIME* called a major speech that warmed the hearts of 'world-minded businessmen, apprehensive over a US drift to protectionism'. He reportedly proposed a raft of strategies and targets to dramatically increase international investment by US-based companies – including cuts to corporate taxes on foreign profits, using the international aid budget to support private businesses, and new international agreements and institutions to protect them.[13]

Earlier that year, Nixon had travelled across the Atlantic to Accra, in the Gold Coast (which was later renamed Ghana), to attend a different, historic event. Kwame Nkrumah, Ghana's first post-independence prime minister, had organized a symbolic midnight ceremony to lower the British flag and replace it with a new one. He also wore his old prison cap to the official closing of the West African country's UK-controlled parliament.

Along with Nixon, that ceremony's attendees had included Martin Luther King Jr.[14] Interviewed on the radio while he was in Accra, King said 'this event, the birth of this new nation, will give impetus to oppressed peoples all over the world. I think it will have worldwide implications and repercussions'.[15]

Indeed it did. Ghana's independence was seen as a key moment in anti-colonial liberation struggles across the continent. Foreign companies and investors who had struck gold – actually or figuratively – under colonial regimes were feeling the earth shift beneath their feet. Across Africa there were industries that could be nationalized by newly freed nations; inherited deals, special concessions and vast landholdings that could be taken over.

Eugene Black, then president of the World Bank, also spoke at the San Francisco conference and insisted that 'people must come to accept private enterprise, not as a necessary evil, but as an affirmative good' – while governments must do more than 'tolerate' business. 'They must welcome its contribution and go out of their way to attract it and even to woo it.'[16]

When it was the German banker Abs' turn to speak, he denounced 'the well-known attitude of some less developed countries, according to which the Western world is actually obliged to pay for the advancement of their economies'.[17]

Dismissing possible calls for reparations, he instead presented an epic plan to fight back with 'a Magna Carta for the protection of foreign interests' and a new

'special international court of arbitration' to judge violations of it. *TIME* called it 'the most widely applauded concrete proposal of the conference'.[18]

More than just talk

In his speech, Abs referenced a number of high-profile disputes which he said showed why his proposal was so timely. Though, when we read his remarks, they seemed to reflect more about what developing countries had to fear from foreign investors, not the other way around. In each case, powerful, rich states had intervened militarily to protect corporate interests.

Abs pointed, for example, to Iran's 1951 nationalization of oil fields held by the Anglo-Iranian Oil Company (later renamed British Petroleum). After this happened, the Shah, who had fled the country, was restored to power following a military coup backed by MI6 and the CIA. The US and UK denied their involvement in the coup for years but it was confirmed in declassified CIA files published in 2013 by the US national security archive at George Washington University.[19]

His second example came from Guatemala. Land reforms had threatened the holdings of the United Fruit Company (now known as Chiquita), which had since the late nineteenth century set up giant plantations across Latin America to grow fruit, primarily bananas, for export to the US and Europe. What happened next: a military coup in 1954. Again the CIA was involved (with files declassified in the late 1990s including an instructional guide on assassinations).[20]

Abs' third case was Egypt's nationalization of the Suez Canal Company in 1956. The company that had operated the canal was primarily owned by French and UK investors. Then what happened? The Suez Crisis, during which the UK, France and Israel invaded Egypt and tried (unsuccessfully this time) to overthrow its president. Again details took decades to come out but in the 1990s the BBC obtained a copy of a secret war plot, drawn up by representatives of the three invading countries at a villa outside Paris.[21]

Seeming to foreshadow investor-state cases like the ones we'd been investigating in El Salvador and South Africa, the German banker also decried 'indirect interferences with the rights of private foreign capital' – including cases of states refusing to allow companies access to 'essential raw materials' or grant them required licenses. 'Excessive taxation' was another of his examples of 'unfair' interference, which he said his proposal could help counter.[22]

The German banker's plan was to create a new supranational legal system through which investors could challenge foreign governments directly. It seemed

to be the most ambitious, and most well-received, idea proposed at the San Francisco event. It was also more than just talk.

Abs, who chaired a group called the German Society to Advance the Protection of Foreign Investments, told his audience that lawyers were already working out the details of his plan, and that he hoped that a draft of his proposed convention would be ready to share with allies by the end of the year. The banker's California trip was just one stop on an international campaign trail promoting the idea.

There were some precedents for his proposal, we'd learn. In 1864, Napoleon III presided over an arbitration process between the Suez Canal Company and Egypt. In that case, the company had demanded compensation from the country for cancelling a canal construction project over its use of forced labour. The assembled tribunal sided with the company, deferring to what it called the 'sanctity' of the contract, and ordering Egypt to pay a massive penalty.[23] Reviewing this 'long forgotten' dispute in 2015, US law professor Jason Yackee wrote that the company's claim had 'a strikingly modern (and perhaps even timeless) character: under what circumstances, and with what consequences, can the government of the day change its laws in order to promote its conception of the public good, where the change negatively impacts, and perhaps even destroys, the value of the foreigner's investments?'[24]

Back then, such cases were heard on ad-hoc bases, without an institutional infrastructure. This is what Abs was proposing to change. In late 1957, just a few months after the San Francisco conference, he released as promised a draft 'International Convention for the Mutual Protection of Private Property Rights in Foreign Countries'. Two years later, he merged his ideas with a similar proposal from Lord Shawcross in the UK, producing the 'Abs-Shawcross Draft'.[25]

The prominent British lawyer Hartley William Shawcross seemed more closely linked to government than industry – which we imagined could have been useful for pitching the idea to states, which would have to sign up to it. A Labour Party politician and MP after the Second World War, he had been the lead UK prosecutor at the Nuremberg War Crimes Tribunal.[26]

Then president of the World Bank, Eugene Black, who had also been at the San Francisco conference with Abs, had his own experience in international investment disputes – including corporate claims for compensation from Egypt in the aftermath of the 1956 Suez Canal nationalization, which the German banker referenced in his speech.[27]

Born in 1898 in Atlanta, Georgia, Black came from an elite family of bankers. In the 1930s, his father was briefly chairman of the US Federal Reserve. After

serving in the Navy during the First World War, he worked at an investment firm, then at Chase National Bank. After he became the World Bank's president in the late 1940s, he 'came to personify the Bank', according to the institution's account of his tenure, and it 'became widely known as Black's Bank'.[28]

The World Bank remembers him as a 'Banker-Diplomat' who was 'deeply concerned about communism spreading and its impact on the restoration of a functioning global, capitalist economy'.[29] His speech in San Francisco reflected this; he'd condemned a 'hostile attitude, by governments and peoples alike, toward the profit motive', and said they should 'woo' business instead.[30]

With Black at its helm, the World Bank expanded. It loaned increasing amounts of money to governments around the world, and set up new branches to directly support private companies too. He had a 'knack for bargaining and negotiating', wrote a bank historian in the 1990s, describing his 'international reputation as a mediator' and how he had been 'influential in settling foreign investment disputes' – insisting that countries come to the table with companies to negotiate deals.[31]

Along with the German (Abs), the Englishman (Shawcross) and this American (Black), two other men seemed to play particularly pivotal roles in the creation of the international investor-state legal system we had been investigating.

One was another American: George D. Woods, who took over as World Bank president when Black retired in 1963. Like Black, he'd previously been a commercial banker. In his first address to the World Bank's board, as its president, he pledged to explore 'all possible ways in which the Bank can help to widen and deepen the flow of private capital to the developing countries'.[32] Countries which accept this 'will achieve their development objectives more rapidly than those who do not', he insisted, clarifying: – 'that means, to mince no words about it, giving foreign investors a fair opportunity to make attractive profits'.[33]

The second was another European: Aron Broches. He had been part of the official Dutch delegation at the Bretton Woods Conference in 1944 at which the World Bank, along with the International Monetary Fund (IMF), was created.[34] Then, he served as the Bank's general counsel for decades. In the 1960s, he oversaw the creation of its ICSID centre for investor-state disputes.

New rules for the world

Woods oversaw a shrewd approach, it seemed, to establishing ICSID. He started to frame the nascent investor-state dispute settlement system as a 'modest proposal' – an ultimately simple idea that would benefit all and should encounter no opposition.[35]

In the Bank's Legal Department, part of Broches's job was to get governments from around the world to sign up to this idea – and for it to work, at least some would have to be poorer countries where foreign investors wanted to expand or protect their interests. The historical records we got in Washington DC seemed to reflect how he adopted Woods's approach.

Broches's draft ICSID Convention included language saying that no signatory state would be 'under any obligation' to participate in dispute resolution through the investor-state system, 'without [its] consent'. Signing up to the convention, the Bank's lawyers argued, wouldn't automatically allow investors to bring cases against states. The use of this system would be 'voluntary', said the rules they drafted; all parties would have to agree to use them; it would be based on 'mutual consent'.[36]

This was interesting – and, it seemed, deceptive. Did South Africa really agree to be challenged by investors who didn't like its post-apartheid policies, at an international tribunal that doesn't consider human rights and where states can only lose, settle, or walk away with the status quo and a giant bill for legal fees? El Salvador had made it clear that it opposed the mining company's case against it, and considered it a threat to the country's very independence.

Over the next several decades, investors' access to this new legal system was enshrined in thousands of international treaties. These agreements effectively give foreign investors the state's advance 'consent' to take them to tribunals including at ICSID. Broches would himself become involved in these deals – encouraging states to sign Bilateral Investment Treaties (BITs) including such provisions.[37]

According to British academic Taylor St John, who had studied this period, there was a Bank strategy to go to 'great lengths to avoid opposition uniting'.[38]

After previous attempts to set up such a system through the OECD or UN had ended in stalemates, St John said that 'the Bank was concerned that different strands of resistance would unite'. She described how it adopted a range of tactics to prevent this, including not circulating notes from consultations.[39]

St John also found that – despite promises that this system would increase foreign investment in poorer countries, and thus aid their development – 'no work had been done at the Bank to investigate this question, nor is there any record of any such work being proposed'.[40] ICSID, it seemed, was created for private investors, by bankers and lawyers, with states in the back seat.

As we dug further into the history of this system, we started to create a timeline of key events on paper taped to one wall of our room at the CIJ. Leaning back in our chairs, we saw something different from a system created with 'good

intentions', for international development. We saw a small number of US and European elites, dreaming it up in boardrooms and ballrooms. We read their goals in their own words: to expand and protect business interests, including against 'aggressive taxation' and other policies that could limit profits.

What if, we asked ourselves, what we had seen in El Salvador and South Africa was not a system that had gone astray, or that had been corrupted? What if it was actually the system working as intended, pushing democracy and human rights off the table, and protecting profits above all else?

Amid the Cold War and as countries gained independence from dissolving European empires, this system seemed to have been sold to elites at spaces like the San Francisco conference before it was pushed on developing countries. Some of those with the most to lose were aware of this, registering their opposition to the idea at the World Bank's consultations.

Then, studying the records of ICSID cases again, after diving into this history, something else caught our eye.

For decades, almost all of these cases were filed by companies based in wealthy countries, against governments in poorer ones. This seemed to match the vision of this system's creators, and the enduring rhetoric of how it should help development by increasing amounts of foreign investment. However, more recently, there had been a spike in cases against rich countries too – including Abs' Germany.

We saw in ICSID's online case database that a pair of suits had been recently filed against Germany, by a Swedish company. One of these was ongoing, over the country's decision to close down its nuclear power plants. The second was about a controversial new coal-fired power plant that seemed to contrast sharply with Germany's much-lauded promises to pursue an epic 'green energy' transition. It had ended – but as in the case of the Italian investors against South Africa, we had questions about its conclusion.

If Germany – sometimes called the 'grandfather' of this international legal system, because of Abs – could be challenged then any country, and thus every taxpayer and citizen, globally seemed to be at risk. We thought again of the questions that had driven us thus far. Were our elected officials actually in charge of less than they led us to believe? Why hadn't this system received more attention?

At the pub down the road from the CIJ's offices, Gavin appeared in the courtyard.

'Tell me everything,' he said, sitting down with us at a wooden table.

We slid across the table a piece of paper – one of our printed pages from the *TIME* supplement about the 1957 conference in San Francisco, which showed hundreds of elite delegates in suits sitting around dinner tables in

a banquet hall with vaulted ceilings and chandeliers. We were pleased that Gavin, who always had something to say, seemed speechless. He read slowly. Finally he spoke: ‘A secret Capitalist Magna Carta, huh.’ He paused. ‘That’s a big deal!’

We nodded.

‘Where will you go next?’ he asked.

‘Germany.’

‘When will you go?’

‘Next week.’

Chapter 5
The boomerang

Vattenfall vs Germany

We landed at Bremen airport and drove to Hamburg, Germany's second largest city and its only major one that wasn't land-locked. Sitting in a harbour with the River Elbe running through it, it was an industrial port city that had also long been a financial centre and the home of the country's oldest bank and stock exchange.

It was late summer, and on either side of the highway from the airport giant white windmills reached into the sky, turning slowly – reflecting the country's drive to boost renewable energy. By 2014, renewables already accounted for 25 per cent of German energy but the government said it aimed to raise this to more than 40 per cent by 2025.[1]

Around the world, people were increasingly concerned about the consequences of climate change, and the role of the energy industry in potentially irrevocably damaging the environment. Germany decided to do something about this – and kick its coal habit. There were mass citizen and consumer campaigns – and new policies.

Amid these movements, a Swedish energy company called Vattenfall filed a case against Germany at the World Bank's ICSID centre over its controversial new coal-fired power plant just outside Hamburg. It said that a water permit granted by the local authority had unfairly impacted its profit-making ability – by limiting how much the plant could raise the temperature of the river – and demanded a stunning $1.6 billion in damages.[2]

It seemed to be a striking example of how the international investor-state legal system was now being used to challenge governments in rich countries too. German investors had filed dozens of claims against poorer countries. But in 2009, when Vattenfall filed this case, Germany found itself in the dock for the first time.

Other rich countries including Canada, the UK and France had also faced claims. These cases covered a wide range of issues – and included several challenges to environmental laws and policies – though there was very little information in the public domain about many of these disputes, including how they were resolved.

Vattenfall's case against Germany formally closed in 2011, but as in the suit brought by the Italian investors against South Africa, its conclusion took time to unpick. The dispute seemed to have been resolved outside of the tribunal's proceedings. A final document said the two sides had reached a settlement but this suggested compromise – that both sides came to an agreement getting some but not all of what they would have wanted. Was that the case?

We had arranged interviews in Hamburg to help us figure this out, and rented an apartment in the west of the city, which was also a hub for alternative music and political movements. We drove past the Rote Flora, a former theatre occupied by squatters since 1989, which had been at the centre of anti-gentrification campaigns. In the windows of apartments we saw the iconic skull and crossbones flag of the popular anti-fascist St Pauli football team.

During the 2017 G20 summit in Hamburg, this area would be the site of mass protests and violent clashes between police and protestors. More than 15,000 police officers were deployed in an astonishing militarization of the city. They ignored a decision from Germany's highest court allowing protestors to set up a camp; it was raided by police armed with batons and pepper spray.[3]

Not far away was also the site of a recent occupation of a neighbourhood park – one of three that was threatened by a 12-kilometer energy pipeline that Vattenfall wanted to build, to connect its coal-fired power plant to the city's grid.

We were going to meet some of the local environmental activists involved in this and other anti-coal campaigns – along with local politicians and experts who we hoped would know more about what had happened in the World Bank case. But first, in the morning, we'd travel across the river from Hamburg to the tiny village of Moorburg, the site of the contested power plant.

There was no one on the one main road of the Moorburg village (population: 729). It cut through rows of red brick houses with sloped rooftops, and wound past a sixteenth-century church. The only open shop was a poorly stocked convenience store.

This tiny, quiet but picturesque village, on the banks of the river Elbe in northern Germany, seemed like an unlikely setting for a high-powered, multi-billion dollar international legal battle – and a growing, worldwide fight over how much power

and control corporations should have in modern democracies. But, it had a new, controversial neighbour – Vattenfall's power plant: Kraftwerk Moorburg.

All we had to do was look up to see it: a giant chimney, steadily pumping dark grey smoke into the air. The smoke billowed as the wind picked it up, spreading it over the area. We walked towards it, until the giant industrial complex and docks around the chimney came into view. At ground level, much closer to the power plant, we saw loads of coal being lifted by machines off a large ship docked in the river. Here, Germany's historic renewable energy drive was nowhere to be seen.

This plant had been controversial long before Vattenfall filed its case. For years, local residents and environmentalists had opposed its construction amid growing concern over climate change and the impact the project would have on the Elbe – which is one of Europe's major rivers, flowing 680 miles from northern Czech Republic across Germany to the sea. Activists had organized protests against the project and public hearings under the banner 'Coal Kills the Climate'.

In 2008, when the Green Party came into power in Hamburg, in an unprecedented coalition with the Christian Democratic Union, it did so off the back of promises which included using all possible legal means to stop the Moorburg project from moving forward. After the election, we'd learn, they realised that this would be harder to actually do than they'd thought.

Totally absurd

After that 2008 election, local authorities in Hamburg gave Vattenfall the permits it needed to proceed with its plant, but they imposed conditions to limit its water usage and impact on fish in the river. These conditions were in line with European regulations, they said, but the company protested. In order to profitably run this plant its case filing said it needed a permit to allow it to return water to the river Elbe that was as hot as '30°C with a resulting temperature increase between water intake and outlet of the river water of maximum 6–7.5 degrees Celsius'.[4]

Vattenfall sued Hamburg in local courts – then it also went to the World Bank's ICSID centre. The permit conditions, it said, would cost the company too much to follow – constituting 'indirect expropriation' and violating its rights under the Energy Charter Treaty, a mega-agreement signed by more than fifty countries since the 1990s, including both Sweden and Germany, which granted foreign investors access to international tribunals in case of disputes.[5]

We asked Kersten, who we met in his office near Hamburg's central shopping district, to recall this period. He laughed. 'It was a total surprise for us,' he said, 'that there's even the possibility that they might do this [sue Germany at a tribunal in Washington DC] was, for me, totally new.'

'As far as I knew,' Kersten continued, 'there were some treaties to protect German companies in the Third World or in dictatorships, but that a European company could sue Germany … I wouldn't have thought this was possible.'

Kerstan had been the chair of the Green Party's group in the Hamburg state parliament, as well as the local official responsible for economic affairs and public spending when the ICSID case was filed. He described that period as very stressful. 'It puts a lot of pressure on the officials while such a process is in operation,' he told us, 'with no knowledge of what the outcome will be and what the federal government will do – are they willing to make compromises? Are they trying to put pressure on Hamburg? So, that was a very tense situation.'

It was 'totally absurd', Kersten added, that the company could go over Hamburg's head and sue the national government. It was a local dispute, and in the case of an award against the German government, it was suggested that the federal authorities might try to push it back to Hamburg and make the city pay.[6]

Kerstan didn't think he was alone in his surprise at this case, either. He said he thought that even those government officials who had signed the international treaties enabling such claims probably didn't know what they were getting into: 'I think they weren't aware that there's a risk of giving up sovereignty because they never thought that Germany would be sued.'

In the end, it turned out that Vattenfall agreed to drop its ICSID case if Germany gave it a new water permit for its Moorburg plant. According to a detailed legal analysis of permits before and after the case, this lowered the environmental standards that had originally been imposed on the plant – allowing it to use more water from the river and weakening measures to protect fish.[7]

In other words, it seemed like the company achieved what it really wanted. As in El Salvador (where the mining company didn't seem to want its damages award as much as it wanted to start digging for gold), and in South Africa (where investors gained an exemption to Black Economic Empowerment laws they didn't want to follow) this company got out of the water permit it had objected to.

Despite what was at stake, however, publicly available information was scarce.

'We tried everything we could do to get information from the government [on the case]. We have a special environmental information law here in Germany. We tried this too, and failed here too. We never got anything', Jürgen Knirsch told us, near the Greenpeace Hamburg office where he worked as a campaigner.

That office was in an old industrial area of the city that had been the focus of recent redevelopment. We met to talk by the waterfront where a suite of new shiny, modern office blocks, apartments, bars and cafes were being built.

Knirsch described the Moorburg case, from start to finish, as shrouded in secrecy. The World Bank's ICSID centre, in Washington DC, he explained, 'is so far away, and nobody knows what's going on, and the people, the local people, don't know anything either, they don't have any role in those processes, and of course at the federal level people … are trying not to talk about this very much'. Despite what was at stake, for local politics and the environment, 'here in Hamburg … we had no access to information'.

By then, we knew that this lack of transparency was, for those in the industry, a well-known feature and selling point of this legal system.

'The value and significance' of investor-state cases has grown, said the law firm Latham & Watkins, which had worked on dozens of these cases, 'as foreign investors (or their lawyers) have become progressively more familiar' with this system and how it can work for them. It told prospective clients: 'There can be no doubt that arbitration provides greater privacy and confidentiality than litigation (which is often public).'[8]

In the Moorburg case, Greenpeace had commissioned a local lawyer, Roda Verheyen, to analyse copies of the water permits before and after the dispute was settled. She concluded that the second one 'considerably lowered the environmental standards' originally imposed. It reduced, for example, the level of monitoring Vattenfall had to do and relaxed conditions on the plant's use of water from the river and its impact on its temperature.[9]

For Verheyen, it was 'undeniable' that the company's international case had put pressure on the water authority to revise the conditions attached to the company's permit. It had also brought the federal government into the picture, which would otherwise have had no role in the dispute.

The international case was only settled after Vattenfall received its new permit; the settlement seemed contingent on these changes being honoured and the company being allowed to proceed with its plans as desired. According to University of Hamburg academic Cathrin Zengerling, it was 'a clear example of how a confidential powerful international investment protection regime' can interfere with local democratic processes. The investor-state system, she argued in a book about international environmental law, 'was abused by Vattenfall to enhance its negotiating power'.[10]

Several years after this case was settled, the European Commission would take Germany to the European Court of Justice. It said the Moorburg plant's authorization had violated European environmental law by not doing more to reduce risks to protected fish species which pass near it while migrating from the North Sea.[11]

Germany meanwhile continued to reconsider and redirect its energy policies nationally – and soon it faced another investor-state claim from the same Swedish energy company, Vattenfall, filed in 2012 at the World Bank centre.

That time, Vattenfall challenged the federal government's decision to phase out nuclear power. Even less information was in the public domain about that case – despite reports that the company was seeking $5 billion from German taxpayers.[12]

Fed up in Hamburg

On the ground in Hamburg, many people seemed fed up with corporate control over their energy systems in general. This fit into another, under-reported international trend. Around the world, numerous cities were reversing the privatisation of key services – deciding not to renew contracts with companies, or cancelling them.[13]

In Hamburg, environmental, consumer and religious groups had succeeded in campaigning for – and narrowly winning – a referendum in 2013 for the city to 'remunicipalize' and buy back the electricity, gas and district heating networks that it had sold to Vattenfall and a German energy company decades earlier.[14]

Near one of Hamburg's many city parks, called Gählerpark, we met Astrid Matthiae, who had been active in the *Moorburgstrasse Stoppen!* campaign that preceded the referendum. It had mobilized people against a proposed 12 kilometer energy pipeline which they said threatened three parks and hundreds of trees.[15]

In late 2009, Matthiae told us, a dozen people scrambled up the trees in this small neighbourhood park, surrounded by apartment complexes. They built treehouses and small forts, occupying the park for three months in the winter.

'It was wonderful!' she said, describing a steady stream of visitors trundling down the park's slippery paths, bringing food and supplies to the protestors.

From the trees they had strung up banners reading: 'This park belongs to us all!' and 'Save the trees!' It was about protecting local green space – but also opposing the pipeline that would have connected Hamburg to the Moorburg plant.

Activists in the campaign against the pipeline wanted the entire project to be cancelled – and for the city's energy system to be run more democratically, with decisions considering the reality of climate change and sustainability goals. Protesters came down from Gählerpark's trees in 2010, after a court ruled to temporarily suspend the pipeline's approval.[16] But anger continued to grow over Vattenfall's coal-fired power plant.[17] Demands for greater local control over the energy system became increasingly mainstream.

Eventually, Hamburg joined a growing number of cities worldwide deciding to end their experiments with privatisation. Since 2007, we learned, at least 170

municipalities in Germany alone had already brought privatised energy services back into public hands.[18]

'Every month there is a new town that is buying back its energy infrastructure. This is very common right now', Christian Maas, former state secretary for the environment and urban planning in Hamburg, told us. He described the city's residents as more 'interested in local energy supply and that is contradictory to the centralised, high profit-orientated large utility'.

Remunicipalization, Maas continued, could create opportunities to 'give something to the city, change the energy system, provide stable energy prices for the people, make the city less dependent on foreign imports and fossil fuels'.

Globally, between 2000 and 2015, researchers at the Transnational Institute in Amsterdam had also documented 235 cases of water 'remunicipalization' in thirty-seven countries, affecting over 100 million people.[19] Satoko Kishimoto, one of these researchers, pointed us to examples from Mozambique to Malaysia. 'This is not a minor trend: many municipalities have been disappointed with privatisation, with costs, with service quality,' she told us. 'Remunicipalisation is seen as a tangible response, a way to rebuild important social services, more democratically.'

In Hamburg, local activists banded together to launch the *Unser Hamburg, Unser Netz* (Our Hamburg, Our Networks)[20] campaign in 2010 after realizing that the city's contracts with private energy companies were about to expire. Environmental groups said that buying back the grids would give Hamburg more control over its energy systems, and enable it to really drive forward its transition to renewable sources. But the campaign brought out a wide range of supporters.

Consumer organizations pointed out that companies were simultaneously the owners of the city's energy networks, and the primary producers and buyers of energy – a bad situation for competition and consumers. Religious and anti-poverty groups meanwhile argued that energy networks should not be considered private property, and should be run for the public good rather than private profit. Remunicipalization rallies brought out middle-aged men in crisp suits alongside dreadlocked students.

David McDonald, a professor at Queen's University in Canada, had been studying for years such city-level campaigns to reverse privatisations, as co-director of the Municipal Services Project international research network. He described this trend as a global story that was unfolding largely under-the-radar.

'We have had this massive trend since the 1970s towards privatisation – an ideologically driven, powerful trend – which has created enormous debates. But now we are starting to see something happen, including outright reversals', he told us.

McDonald sketched out a range of motives for these campaigns. What he suggested they have in common is how hard ending privatisation can be. Challenges included potentially 'high legal costs, and companies suing', he said.

'It can be a very David and Goliath battle, if you're thinking of ending a contract with a big company.'

Hamburg's referendum motion to reclaim the city's energy grids from companies passed, but with only 50.9 per cent of the vote. 'It was a really tough political fight. It was very, very long-running and in the end it was very, very close', Kerstan, head of the Green party in Hamburg, told us. The ballot proposed not only to take back the energy grids, but to build 'a socially just, democratically controlled and climate-friendly energy supply from renewable sources'.[21]

Nothing would happen overnight, however, as the city would wait for its existing contracts with the companies to expire – a process that would take several years. Taking action before this could have left it vulnerable to corporate lawsuits locally – or the whole country at risk of investor-state claims.

In 2014, Hamburg closed a deal to pay Vattenfall €550 million to buy back the city's electricity grid. A company spokesperson said it was a 'fair deal' – but also hinted that the company had considered its options to challenge an outcome that it didn't like. 'Although Vattenfall has not disconnected from the electricity grid easily,' she said, 'this agreement avoids disputes.'

The contract for Hamburg's gas network was up next, while it would be several years before the much more valuable district heating grid would be back in public hands. In that case, Günther Hörmann at the Consumer Centre of Hamburg said there were concerns that the city might be overpaying for it. In 2018, reports said that the price ended up exceeding €900 million.[22]

Coming home to roost

While we were no longer inclined to believe that the investor-state dispute system was created with 'good intentions', it seemed true that it had changed significantly over time. It had gotten 'out of control', perhaps, driven in part by an elite industry of corporate lawyers, consultants, lobbyists and third-party financiers. It had enveloped the whole world like never before and it was now threatening democracy in rich countries too.

For decades, countries like El Salvador, or South Africa, were the key targets of the international treaties and tribunals that power this system. But this dynamic already started to change after the 1990s, in the wake of new mega-deals involving rich countries including the Energy Charter Treaty that Vattenfall used to sue Germany, and the NAFTA treaty between Canada, the US and Mexico.

NAFTA said – in the treaty's name – that it was about 'free trade'. But by signing this deal, the three countries also gave foreign investors advance consent to

challenge them at international tribunals including at ICSID. Numerous investors made use of this and the number of cases soared.

Canada in particular had been hit by dozens of claims. In one of these, a US chemical company called Ethyl had challenged a ban on imports of gasoline containing a toxic additive called MMT. The Canadian government settled this case, paying out $13 million and repealing the ban.[23] In another example, a tribunal ordered Canada to pay millions of dollars to the oil and gas giant Exxon-Mobil, whose lawyers challenged requirements that investors in the province of Newfoundland and Labrador support local research and development.[24]

Cases that were still pending against Canada included one filed by the Lone Pine energy company, from the US, after the province of Quebec introduced a temporary moratorium on fracking under the St Lawrence River pending further environmental studies.[25] Analysis from the Canadian Centre for Policy Alternatives suggested that, overall, almost two-thirds of foreign investors' claims against Canada had involved challenges to environmental or resource management measures, laws and regulations.[26]

Canada was one of the few countries that chose to publish lists online of the cases that had been launched against them.[27] These cases challenge governments, and carry potential multi-million dollar and even multi-billion dollar threats. But taxpayers, who would ultimately foot these bills, were often left in the dark.

We learned that the UK for instance, where we lived and worked, had been sued (along with France) by the company that owns the Channel Tunnel for allegedly failing to provide adequate security around its entrance.[28] It was upset by transport delays caused when undocumented migrants were discovered trying to hide on trucks going through the tunnel between the two countries.

That case was heard at the Permanent Court of Arbitration in The Hague – another venue, like the World Bank's ICSID centre, for such disputes. There was very little information available about it. The court's website included only a short summary, explaining: 'After France opened a hostel for refugees near the terminal … inhabitants attempted to reach the United Kingdom via the fixed link. The Claimants suffered loss and damage due to such incursions, which they claimed the French and United Kingdom Governments had a duty to prevent.'[29] While a 'partial award' was published siding with the company, details (including how much the two governments would have to pay it) were not disclosed in it.

The US had also been sued more than a dozen times under the NAFTA treaty. However, as far as we could tell from public records, it hadn't yet lost a case. This was 'evidence that even though trade agreements appear to treat all parties equally, the more powerful countries are usually more immune to trade

challenges', said Maude Barlow, a veteran activist with the Council of Canadians civil society group, where Meera – the person who first sent us down this path – had also worked.[30]

Overall, US businesses had been behind about 20 per cent of the cases filed at ICSID by 2015, followed by British ones (8 per cent). That year, Eastern Europe and Central Asia were hit with the most claims. The second most targeted region was Western Europe.

With thousands of international investment treaties criss-crossing the globe, enabling companies to file these cases, few states were now off limits and citizens and taxpayers around the world were paying the price – even in Abs' Germany. This country, once on the frontlines of constructing and expanding this system, had become one of its victims too.

If it was built to ensure continued domination by companies and investors from rich countries, it was now being used against their own governments too. In our next investigations we'd see similar trends – how new systems to protect and expand corporate interests were effectively 'pioneered' in poorer countries, often under the guise of 'development', before expanding to threaten democracies everywhere.

PART TWO

Corporate welfare

Chapter 6
Aid-funded business

An unusual festival

Like many of our peers heading to summer music festivals, we got up at the break of dawn and took a train out of London. We were also en route to an event that would have many thousands of attendees. We were going to see one act in particular – and we were anxious about whether we'd be able to get good seats, close to the stage.

But there'd be no mosh pits and wellies where we were going: north to Liverpool, for the 2014 International Festival for Business. Its main sponsor – then Prime Minister David Cameron's Conservative government – had advertised it as 'the UK's most significant international trade and commerce showcase since 1951'.[1]

It would be 'an outstanding opportunity for businesses to forge new international commercial partnerships', Cameron said.[2] 'There couldn't be a more fitting host than Liverpool', he added, as it had 'powered Britain through the Industrial Revolution'.

This seemed to be correct: in the nineteenth century the port city was a key hub for industry and international trade, and for a period its wealth rivalled London's.[3] But much of the city's prosperity had been driven by one of history's most condemned businesses: slavery. Over the eighteenth century, its ships carried an estimated 1.5 million Africans across the Atlantic. For decades, it accounted for between 30 and 50 per cent of Liverpool's trade.[4]

It was an organized barbarism. An international 'triangle trade' shipped goods like textiles and guns from British factories to Africa; slaves to America and the Caribbean; then sugar, cotton and rum back to Europe. Banks and industries mushroomed to respond to the 'opportunity' of this trade. Liverpool boomed.

This history still echoed in some of the city's street names. Penny Lane, made famous by The Beatles, was thought to have been named after the prominent slave trader James Penny. Other streets were named after abolitionists.[5] Restored warehouses by Liverpool's historic docks now housed an International Slavery Museum. That was the area of the city where we went, as quickly as possible, after our train pulled into the station.

Our destination – the Cunard Building – was built during the First World War to be the headquarters for a company whose luxury passenger steamships ferried elites across the ocean. It was partly styled after Italian palaces, complete with marble imported from Tuscany. We walked up dramatic stone stairs leading to the building's main entrance.

The International Festival of Business's multi-week programme had sessions catering to companies and entrepreneurs in specific sectors from shipping to education, as well as those eager to expand into specific world regions. Many of these events, including the one we'd come for, were organized by UK government officials.

We walked into a historic ballroom with period detailing and vaulted ceilings. Men in business suits sat at circular tables with pristine white tablecloths. We spotted two empty seats, took them and smiled. Our table was indeed close to the stage.

'What's it worth?' asked the man who soon appeared at the podium.

Answering his own question he said there was '$70 to $100 billion of business out there', to which people in the room clapped. He grinned.

The amount of money he was talking about was vast, and comparable to the estimated size of the global cybersecurity, or magazine publishing, markets. But this event was focused instead on a trade that few people have ever heard of.

Nigel Peters was the man on stage. He was then head of a little-known British government unit called the Aid-Funded Business Service – which was set up to help UK companies win contracts funded by public money to help the world's poorest people.[6]

'The development and humanitarian aid business is there, it's significant business, and we're here to help you win some of that', he told the room, standing by a screen with a projected slide bearing the names of different potential customers – including UN agencies, the World Bank, and US and UK government departments.

'Welcome to the world of aid-funded business', he enthused.

'We see a lot of business opportunities around the work the UN does in peacekeeping, famine relief, disaster relief, emergency aid,' Peters explained, giving as examples: 'We see a lot of good opportunities, for those of you in products, in terms of famine and disaster relief related to both man-made disasters, which today we're seeing in countries like Syria and Iraq with refugee camps, and of course natural disasters.'

The men around us clapped again. It was striking that these crises, involving the deaths and displacement of many people, seemed like reasons for good cheer.

Eleanor Baha, his colleague, also seemed upbeat when she took the stage. Based in Geneva, amid one of the largest clusters of UN agencies, she was described as an 'attaché' for the UK's Aid-Funded Business Service.

'Why should you be looking at UN business? What's the point?' she asked, and answered: 'Well, for you as companies it's a good export market'.

'There's a definite "feel good" factor' that companies can get from working in this industry, she said, but 'perhaps most importantly, you are sure to get paid … The UN only places business with companies when the budget is already secure'.

After our trip to Liverpool we took another train from London – this time to Brussels, the unofficial capital of the European Union, to go to AidEx, which called itself a 'major platform for networking, making new contacts and doing business'.[7]

Inside a large convention centre, hundreds of business suits swarmed around exhibition stalls, some of them sipping glasses of wine. On tables were glossy corporate brochures and items like USB keys stamped with companies' logos. Hanging from the high ceiling were banners of major car companies – Ford, Toyota, Volkswagen.

Company reps at their stalls pitched goods and services to a host of NGOs, government units like the US Agency for International Development (USAID) and UN organizations that together spend billions of dollars a year around the world. On offer was everything from types of tarpaulin to the services of private security firms. In a pop-up café, attendees huddled in small groups, comparing notes on who had won what business the previous year.

AidEx said that exhibiting at its event helped companies 'raise brand awareness', 'generate new leads' and 'receive personal PR services'.[8]

A two-minute promo video on YouTube, with a cheerful pop soundtrack, illustrated the point.[9] 'How are we going to sell all of these products?' asks a cartoon figure in the video. A light bulb appears over the head of another figure, who suggests: 'Why don't we exhibit at AidEx?' As cartoon shipping crates pile up on screen, he proclaims: 'There will be buyers there who want to buy all of THIS!'

We hadn't heard much at the event about the fight against global poverty – the official mission of aid spending – however. On our train back to London, we wondered: why was the world of aid-funded business also so little-known? Aid is taxpayer money, and politicians often talk about it. So why were the companies who target these budgets usually off-screen?

The reality of aid

What is aid? 'Money given to help the world's poorest', was the message repeatedly heard by taxpayers who ultimately foot the bill. Both supporters and critics of aid seemed to similarly talk about it as if it were a direct transfer of cash from richer to poorer countries.

The *Daily Mail*, for example – a notorious aid critic – had launched a petition on Valentine's Day, 2014, urging the UK government to 'divert some of the £11 billion a year spent on overseas aid to ease the suffering of British flood victims'.[10] One signatory, a novelist from Gloucestershire, commented: 'We give millions of pounds in aid to India and China and never spend on our own. It's ridiculous.'[11]

Aid opponents had repeatedly made the same argument: that the UK was wrong to 'give', 'send', even 'pour' so much money into other countries each year. Aid supporters seemed to use similar language, presenting aid as a sort of international social security system that redistributes wealth from the world's rich to its poor. Politicians routinely did this too, pledging to 'give' aid 'to' specific countries.

But it was more complicated than this – and, as we saw in Liverpool and Brussels, companies were among the beneficiaries of these budgets.

The truth was that only a fraction of aid money was ever transferred directly to local governments or groups in poorer countries. Instead, much of it took a while to get anywhere – passing through sometimes long chains of contractors and subcontractors. Far from simple transfers of cash, when donors pledged aid money, there was no guarantee it would ever make it to the countries it was supposedly 'for'.

There are written rules, overseen by the Organisation for Economic Cooperation and Development (OECD) club of rich countries in Paris, to govern what spending can count as official development assistance (ODA) – the formal term for 'aid'.

Such spending is supposed to have 'the promotion of the economic development and welfare of developing countries' as its main objective.[12] The rules are detailed – and they have also allowed donors to use their aid budgets for things you might not expect.

Donor governments have been able to 'give' aid as loans that have to be paid back with interest (thus making money off of them). They have counted 'debt relief' as aid – even if these were just debts that were cancelled or rescheduled, not new flows of cash.

OECD data showed that millions of pounds of UK aid never left the country, and was instead spent on things like military training for African officials, scholarships for international students at British universities and a 'study visit' to the UK for North Korean officials.[13] For years the UK had also counted pension payments to former colonial officers as aid – at a cost of £2 million in 2017 alone.[14]

'Budget support' is the technical term for aid that is given directly to poorer country governments, to manage and spend themselves. It amounted to $9.5 billion in 2014 – less than 6 per cent of total global aid spending that year ($165 billion).[15]

The rest of this money? Most of it was routed through a web of international agencies, NGOs and for-profit contractors and subcontractors. Much of it was used to buy things, or services, from companies based in richer, not poorer, countries.

This is where the business we saw upfront in Liverpool and Brussels came in. For companies in this industry, a humanitarian crisis seemed like an opportunity, while development aid served as a steady and reliable revenue stream.

The complicated rules that governed what spending can be counted as aid meant that it was hard to compare two aid dollars without knowing details of how they were spent. One may have gone directly to a poor government. The other may have gone to a private contractor who made a profit off of it.

Despite this, politicians and aid critics and supporters alike often focused on a topline target to spend 0.7 per cent of gross national income (GNI) on aid a year. Repeatedly re-endorsed at international summits since the 1970s, this target became a key benchmark by which donor 'generosity' was publicly measured. Sweden, Norway, Denmark and the Netherlands had met it in the 1970s.[16] Luxembourg followed in 2000. But the UK was the only G7 country to have done so, in 2013, when its total foreign aid budget reached £11.4 billion.[17] In 2015 it enshrined this target in law (though in 2021 it would reduce this spending to 0.5 per cent of GNI, citing the economic impact of Covid-19).[18]

Some experts argued that this target was arbitrary, outdated, and that it was based on old calculations of how much money developing countries needed.[19] The UK parliament's international development select committee warned that pressure to meet spending targets, no matter what, could result in poor decision-making.[20]

It also seemed like a distraction – a way to focus attention on overall budget figures while missing the details of how this money is spent.

In 2015, a new UK aid strategy would come out explicitly prioritising overseas development projects and spending that could 'strengthen UK trade and investment opportunities'.[21] Aid would increasingly be spent on projects to write 'business-friendly' laws, and support private investment in areas from infrastructure to agriculture.

The involvement of for-profit companies in spending aid money also seemed to make it harder to follow this money to the ground. Government guidance said bids for aid business should include breakdowns of overheads, salaries and profit margins. But if this information was indeed collected it was not published and rarely came to light.

Margaret and Mahathir

When Margaret Thatcher died in 2013, she was honoured with a ceremonial funeral – at a cost to taxpayers of more than £3 million.[22] It was held at St Paul's Cathedral, where just a few years before Occupy London had established its camp protesting economic inequality and corporate influence over government.

Queen Elizabeth II was only one of several very high-profile people who attended the funeral. Among the foreign invitees was Mahathir bin Mohamad, who had been prime minister of Malaysia at the same time as Thatcher in the UK – though for much longer. He stayed in power until 2003, then took over again in 2018, at the age of ninety-three.[23]

We'd noticed his name on a list of the guests because, a year before Thatcher's death, a former senior civil servant published an insider's account of the 1990s Pergau Dam aid-for-arms scandal.[24] It was this scandal that ultimately led to a new law to 'untie' UK aid from commercial interests and make sure it focused on poverty reduction.

The scandal concerned exchanges between Thatcher's government, and Mahathir's – and the use of UK aid for a new hydroelectric dam on Malaysia's Pergau River to 'sweeten' contracts with arms companies including British Aerospace (since renamed BAE Systems), which sold the country dozens of military jets.[25]

The insider account, *The Politics and Economics of Britain's Foreign Aid: The Pergau Dam Affair*, was written by Sir Timothy Lancaster. He'd been a civil servant at the Treasury department when this deal was secretly struck, and had sent a private memo to his superiors warning that it could 'create acute embarrassment to ministers and wasteful public expenditure'.[26] Then, when he subsequently took over as permanent secretary of the Overseas Development Administration (ODA), the agency in charge of the aid budget at the time, he advised against this spending going through.

Lancaster thought the proposed aid-funded project didn't make sense on its own terms as he believed there were cheaper ways for Malaysia to produce energy. He took the unusual move of insisting on a formal ministerial ruling before signing off on its budget. This signalled that he suspected something was wrong, and was what ultimately prompted a series of investigations into it, from the National Audit Office to major newspapers.[27]

The cover of Lankester's book recounting this period features a snapshot of the two prime ministers at the centre of the scandal, before it erupted. Malaysia's Mahathir looks straight at the camera, in a grey suit and mauve tie. Thatcher is beside him, in a black dress. The pair appear relaxed and on a table before them are two tea cups, left (or positioned) there to reflect an amicable meeting.

That photo was taken in April 1985, during a ten-day tour of Asia by Thatcher in which she met with Mahathir and publicly praised him for believing, as she did, in 'the advantages of the free enterprise system and the liberalisation of world trade'.[28] It was the first official visit by a UK prime minister since the former British colony became independent (in 1957).[29] It also followed what she would later call 'a bit of a sticky start' to her relationship with Mahathir.[30] He had previously adopted an explicit 'Look East' policy and had said that his country would

buy British products only 'when it is absolutely necessary', showing 'a definite preference for non-British sources'.[31]

Thatcher had travelled to Kuala Lumpur amid efforts to woo Mahathir back. A speech she gave in the city was peppered with praise for his leadership. 'I am delighted to find, Prime Minister, that you too are devotees of privatisation and reducing the role of the state', she said. 'I admire your catchphrase "Malaysia Inc".' She added: 'Many of our companies are keen to do more business with Malaysia and I shall be doing my very best to convince you of all the merits of our companies in particular.'[32]

At a separate press conference during that visit, she pointed specifically to the construction giant Balfour Beattie, which would later be involved in building the Pergau dam. She also named Unilever, the giant British multinational 'consumer goods' company whose products include snacks and soap.[33]

By the time parliamentary inquiries began into the 'Pergau Dam Affair', Thatcher had left government – though she continued to lobby for big businesses. She reportedly received $50,000 per speech and worked, for example, as a 'geopolitical consultant' for the tobacco company Philip Morris.[34] She would have been an obvious witness for the Pergau enquiries, but she refused to give evidence.[35]

In Malaysia, the 'Pergau Dam Affair' led to a new, public sector boycott of British contractors.[36] In the UK, a powerful civil society campaign demanded that aid focus on ending poverty in developing countries – not supporting companies from home. In 1994, a British NGO called the World Development Movement launched a landmark legal case against the government's aid agency, arguing that its decision to support the Pergau dam had been unlawful. The UK high court agreed.[37]

In the wake of this scandal a new aid agency was created – the Department for International Development (DFID) – with its own ministerial post. An International Development Act, passed in 2002, required that all UK aid spending have the reduction of poverty as its primary focus.[38] Aid was formally 'untied' aid from UK commercial interests, opening up aid-funded contracts to international competition.

Many aid donors 'tied' some of their aid spending, officially restricting competition for contracts to companies based in their countries. In the US a small group of contractors, primarily based in the Washington, DC area, and known as the 'Beltway Bandits', had long dominated the USAID agency's business.[39]

US food aid, which fell under the department of agriculture, showed a similar pattern: a small group of companies dominating the business. Among them were the huge grain traders Cargill, ADM and Bunge. They had won the lion's share of the contracts to provide wheat and other commodities to be shipped from America to poorer countries on US-flagged ships.[40] (The shipping industry also benefited.)

The UK, because of the Pergau affair and the actions taken afterwards, was supposed to be different. It was supposed to be buying more of its goods and services locally, in developing countries. This made sense if the goal of aid was long-term and sustainable development – as this business could also help local economies grow.

But, in 2011, the NGO that had led the legal challenge against aid for the Pergau dam[41] sounded the alarm again, after then development secretary Andrew Mitchell reportedly linked aid to India with ambitions to sell BAE Typhoon fighter jets.[42] A few months before Lankester's book came out, there was a new flurry of reports about a small group of British, private consultants taking home six, even seven, figure salaries funded by multi-million pound aid contracts.[43] In 2014, according to UK government figures, more than 90 per cent of contracts still went to British companies (or British subsidiaries of multinational companies).[44]

UK aid-funded contracts also seemed to be getting larger, and harder for small companies to bid for. Companies were providing daily support, 'technical assistance' on specific projects, and designing and delivering huge programmes over many years. Increasingly they were being hired as 'managing agents', selecting and overseeing other contractors. They also conducted research and evaluated the results of aid projects.

A group of just eleven companies, it turned out, were winning the bulk of these contracts – and they seemed to have special access to the DFID aid department. Then top official Mark Lowcock wrote in an article for *Supply Management* magazine that it had created 'an arena for frank discussion' and to develop plans together with its 'largest strategic suppliers'.[45]

Not one of these top contractors was from a developing country. The multinational accountancy giant PricewaterhouseCoopers was among them, along with big European consultancy firms. Many were from the UK – including Adam Smith International, which was founded in 1992 by admirers of Thatcher's policies, and Crown Agents, which could trace its history back to 1833.

One empire to another

We were intrigued by Crown Agents' birth during the British empire and started to dig into its history. It wasn't well-known but, in May 2003, a small group of protestors had gathered on Buckingham Palace Road, in central London. They handed out pamphlets to passers-by and unfurled a banner that said: 'Agents of War and Greed'. The little-known company was 'still busy facilitating imperialism', they said, in 'that murky area between state and business that has become so central in the new age of corporate government'.[46]

What prompted that protest was Crown Agents' involvement in Iraq following the invasion of that country by US and UK forces. It had been named by the BBC alongside the US construction giant Bechtel as part of 'a fairly narrow coterie of international firms' that had developed a specialism 'post-war clean-ups'.[47] *The Independent* called it 'the first British company to win a contract in the American programme to rebuild Iraq'.[48]

This was one of the biggest UK aid-funded contractors. It was also likely the oldest – having transitioned from being merchants of empire to postcolonial development business. Its website said it's been 'innovating since 1833' and had a long history of 'accelerating self-sufficiency and prosperity'.[49]

The Office of the Crown Agents, as it was previously known, had provided the empire's middlemen: if colonial governments needed to buy something, they set it up. They initially fell under the supervision of the Secretary of State for the Colonies but operated independently, managing colonial investments and the supply of all non-locally made goods, as well as supervising construction projects and paying colonial officers' salaries and pensions.[50]

David Sunderland, a British business historian who wrote an in-depth study called *Managing the British Empire,* explained how their business expanded between the late 1800s and early twentieth century – with their staff increasing, for example, from around 30 people to more than 460. They also outsourced work to other contractors and employed a shipping agent, packing company and solicitors.[51]

Their strategy was initially to provide costly though quality services, according to Sunderland. But over time, they became 'more concerned with income maximisation'.[52] They began using their connections within the UK government, he said, 'to influence policy for their own benefit, leading to the construction of costly and uneconomic railways, the issue of high cost loans, and the purchase of expensive supplies'.[53]

When the empire collapsed, Crown Agents lived on and became a statutory corporation focused on the international aid and development industry. In 1997 – more than 150 years after its inception – it was privatised and converted into a limited company (wholly owned by a foundation).[54]

At the time of Crown Agents' creation in the early nineteenth century, 'chartered companies' – associations of private investors and traders that were forerunners of modern corporations – were busy exploring, trading and colonizing different areas of the world. Probably the most famous of these was the East India Company, which had its own flag and a private army twice the size of Britain's. This 'dangerously unregulated private company', according to William Dalrymple, who wrote a book about it, 'executed a corporate coup unparalleled in history', conquering much of India.[55]

That company would also take over parts of Southeast Asia and Hong Kong, while others colonized parts of the Americas and Africa. The 1884 Berlin Conference, which infamously formalized the colonial 'Scramble for Africa', would help them. Among other things, it said that a mere claim to territory was not enough for international recognition. Colonizers had to prove authority over the areas they claimed, through 'effective occupation'.[56] Chartered companies were willing and eager to help them do this.

In West Africa, from 1886 the Royal Niger Company brought together British interests in the Niger delta region. It had its own police as well as customs, courts and prisons.[57] In the early twentieth century it would become part of the broader United Africa Company (UAC) – and then Unilever, the British multinational 'consumer goods' company which Thatcher would mention in one of her 1980s speeches in Malaysia, and whose long history would later provide us with another unique window into that of the aid and development system.

When the British empire ended, we were learning, its infrastructure did not simply disappear. Some of it seemed to have been reoriented – or rebranded – under the 'development' banner. The aid industry had very deep roots. So did the issue of big companies being among its beneficiaries.

Chapter 7
Financing 'development'

Investing in empire

Then UK Prime Minister Harold Macmillan famously stated, in a 1960 speech at South Africa's parliament, that 'the wind of change is blowing through this continent, and, whether we like it or not, this growth of national consciousness is a political fact'.[1] He was right. By then, the British empire had already lost India, and what would become Sri Lanka and Pakistan, as well as Ghana.

'The upsurge of colonial nationalisms after 1945 meant that policy-makers were overtaken by events,' argued W. David McIntyre, a historian from New Zealand who studied this period.[2] But we were coming across plenty of evidence suggesting that businesses, investors and those in government who worked with them knew what was coming – unstoppable peoples' movements for freedom and independence from unaccountable powers – and that they started laying plans for continued expansions regardless. We'd seen this in the case of the international investor-state legal system we'd investigated, and we seemed to be seeing it again in international aid and development.

After nearly four centuries of colonial activity, the UK's empire collapsed in little more than two decades after the end of the Second World War. Before that happened, in 1946 the UK set up its 'development finance institution' CDC (initially called the Colonial Development Corporation). It had a mission to improve 'the standard of living of the colonial peoples by increasing their productivity and wealth' – though bringing the UK benefits, amid a struggling post-war economy, was also a clear objective.[3]

Addressing a meeting of colonial governors not long after this institution's founding, Sir Stafford Cripps, then Minister for Economic Affairs, said that it was time to 'force the pace' of colonial economic development and argued that the UK's future depended 'on a quick and extensive development of our African resources'.[4]

After the war, Britain's economy was struggling and the government took huge loans from the US which were only fully paid off in 2006.[5] 'This is the world background against which the productivity of the colonial territories must be viewed', Lord Trefgarne, CDC's first chairman, stressed to a group of businessmen in Liverpool, in 1948. It was 'sound policy' in this context, he insisted, to build up colonial economies and increase exports of their products.[6]

That the UK should benefit from this new institution's international 'development' activities was perhaps not surprising given that it was still an arm of the colonial empire. But like Crown Agents it didn't close down when the empire did. It was re-positioned to help newly independent countries 'develop'.

From the 1950s, 'development' became a dominant theme in corporate advertising in Africa, according to Stephanie Decker, a British academic who called it a cunning 'publicity strategy'. It was particularly important, she suggested, for companies 'that had been closely associated with the British empire … which needed to find a new justification for their continued presence'.[7]

Within the UK government, a new Ministry of Overseas Development aid agency was set up after the Colonial Office was disbanded in the mid-1960s. The CDC was renamed the Commonwealth Development Corporation, though it began investing in non-Commonwealth countries too. It resisted Thatcher's privatisation drive in the 1980s and remained a public corporation until after she left office.[8]

In 1999, the British parliament passed an act to transform it into a limited liability company – CDC Group plc – though all shares would still be owned by the government. A few years later, however, the entity's management functions were spun off into two new companies that were sold to private owners, including former CDC bosses: Aureos for relatively smaller venture capital funds and Actis, for the bulk of its remaining portfolio.[9]

These changes prompted criticism from politicians and the media over the 'impossibly low' prices paid for these spin-offs. Shortly after, then development secretary Andrew Mitchell applauded CDC's financial success but said it had 'become less directly engaged in serving the needs of development' and should be reformed.[10]

In 2011, a new business plan was launched, CDC began making direct investments again – rather than relying on intermediaries to spend its money – and it said that it would focus more on poorer countries.[11] Years later, it was again renamed (British International Investment) and its budget increased. However, it still seemed easier to pinpoint its elite beneficiaries than its impacts on helping to end poverty globally.

While we were in El Salvador, we saw one of the projects built by a company that had received 'development finance' from the UK's CDC. It was on the outskirts of the capital, behind thick concrete walls. Villa Veranda: a 34-acre

gated community with more than 500 beige, brown and coral pink houses lining freshly paved roads; amenities including a football field and basketball court; and thick, green grass even in the dry season.

The cheapest homes inside this enclave started at $117,650 and required a household income of at least $2,000 a month.[12] This made them far from affordable for most people in the country, where about a third of the population lived below the national poverty line of $5.50 a day.[13] 'Being a construction company dedicated exclusively to the construction of houses for the middle class has given us dominance in that segment,' boasted the website of Avance Ingenieros, the company behind it.[14]

Its fortunes had been buoyed by growing numbers of Salvadoran bankers, bureaucrats and businessmen, and by a rise in Salvadorans living abroad buying property here for their families or retirement. It had also received a $3.3 million investment in 2004 from the UK's CDC.

While the enclave targeted much wealthier people than the world's poorest, its projects were also criticised locally for the pressure they put on water resources. Environmentalists said the rapid development of forests around San Salvador was replacing the capital's 'lungs' with concrete, asphalt and luxury homes out of reach for most people. Yanira Cortez, at the state's human rights office – who we met while investigating the mining company's investor-state case against the country – said that such 'mega projects' had 'severe impacts; on the environment and on water resources, not respecting the rights of future generations'.

A local group near Villa Veranda called the Northwest Santa Tecla Ecological Defence Committee had also warned that this specific development could threaten local water supplies, biodiversity and quality of life for communities nearby.[15]

The company said it had modified their plan to reduce the number of houses, include more green space and invest hundreds of thousands in local social programmes. But Edith Tejara from Acua, a Salvadoran environmental NGO, said it was still shocking that any international development money had supported it. 'History has taught us that whenever a shopping mall or gated community is built, water will be prioritised for them and not the local people', she said. 'What surprises me,' she concluded, 'is their idea of development.'

Billionaire beneficiaries

Our guesthouse in San Salvador had been around the corner from a wide street lined with towering signs of US fast food chains: Burger King, Pizza Hut, McDonalds, one after another. Behind them: shiny glass-paned office

buildings. A large shopping mall. It looked like we could have been anywhere in the suburban US.

We walked along that road several times, to get taxis and go to that mall to buy snacks for our road trips, and a camera memory card. There were few other people in its shops, where products' prices were like Villa Veranda: out of reach for many.

Also like the company behind that gated community, the business behind this mall had benefited from 'development finance' – from a branch of the World Bank that invests in private companies called the International Financial Corporation (IFC).

Called Grupo Poma, that business was headed by billionaire Ricardo Poma who was a friend of Mitt Romney and an early investor in Bain Capital.[16] Founded in 1919, it was a conglomerate whose holdings included car dealerships, hotels, resorts, manufacturing plants and a growing number of shopping centres across Central America. During the Salvadoran civil war, the Poma clan had also allegedly backed the right-wing ARENA party that was linked to notorious death squads.[17]

There was no sign at the mall advertising the international development support for this company. But we later found 'Metrocentro' – the name of many Grupo Poma malls, including that near our guest house – in the IFC's online database of its investments.[18]

The Poma empire had received a $25 million investment from the IFC in 2003. This was about the same amount of money the Salvadoran government received in direct budget support in 2013 from international donors, according to OECD data.[19]

We found an IFC press release from the time of this investment which said it would 'significantly improve commercial infrastructure' in San Salvador. It also praised the company for 'stimulating local retailers, local employment, the related supplementary infrastructure and offering higher standards of retail at lower prices'.[20]

It was unclear how this investment could help meet the IFC and World Bank's goals to end global poverty and boost 'shared prosperity'.[21] Meanwhile it seemed clear that the company's commercial success was an objective.

The IFC's press release described Metrocentro as 'the largest shopping mall developer and operator in El Salvador'. It quoted IFC regional director Bernard Pasquier who said its investment would 'support an expansion of a competitive service oriented company'. Ricardo Poma was also quoted, saying the institution's support would vaguely 'facilitate the development of the formal retail sector in the country' – and specifically help his company to execute its 'continuous expansion strategy'.[22]

In the World Bank's database of IFC investments we found another $50 million given to Grupo Poma in 2010 to help build or refurbish hotels and shopping malls

across Central America. In that case, the investment disclosure said it would 'benefit consumers' by providing safe and convenient shopping opportunities, and create jobs. But it was also explicit that beneficiaries would include international 'business travellers' – and the corporation itself, by 'strengthening its balance sheet' and playing a 'strategic role' as it 'expands into new markets (i.e. Colombia), where IFC is familiar with local business, economic and political conditions'.[23]

We found a further $35 million investment in the Poma empire in 2005, to build and expand malls in Honduras.[24] In 2016 another $45 million would flow from the IFC for Poma's further expansion in El Salvador, Nicaragua and Honduras.[25] In total we counted $165 million of development money over almost two decades. They seemed to start in 1998, with a $10 million investment in 'one of the largest shopping centres' and the 'first 5-star chain hotel' in Tegucigalpa, Honduras.[26] Grupo Roble (part of the Grupo Poma conglomerate) would develop and then co-manage the hotel along with the giant Inter-Continental Hotels chain. Subsidiaries of another company called Hillwood Investments would meanwhile develop and operate the mall.

We looked it up – and found that it was also a family company led by extremely wealthy people. Specifically – the family of Ross Perot,[27] a Texan business magnate with an estimated net worth of $4 billion when he died in 2019.[28] Before his company benefited from that IFC investment, he had sold a data processing company he'd founded to General Motors for $2.5 billion[29]; he'd run twice for US president[30]; and he owned one of the first copies of the Magna Carta.[31]

Washington follows London

The World Bank's IFC was set up about a decade after the UK's CDC. Its founding 'Articles of Agreement', drawn up by the bank's executive directors, came into effect in July 1956, just days before the Egyptian President Gamal Abdel Nasser nationalized the Suez Canal, sparking the 'Suez Crisis'.[32]

World Bank Vice President (and former executive of the General Mills processed food company) Robert Garner had been among the leaders who lobbied for the creation of such a branch to help private companies expand into poorer countries. 'It was my firm conviction,' he later wrote, 'that the most promising future for the less-developed countries was the establishing of good private industry.'[33]

The idea gained other powerful backers including Nelson Rockefeller, who headed the Truman administration's International Development Advisory Board.[34] In 1956, the IFC opened for business under Garner's leadership, with

thirty-one member states.[35] Initially it could only make loans. The first of these went to an affiliate of a well-known German company, Siemans, to expand in Brazil.[36] From the start, it seemed, big companies from rich countries benefited.

By 1961, the IFC had gained the power to make equity investments too. The first was made the next year, when it bought a stake in FEMSA, a former auto parts manufacturer in Spain that's now part of Bosch – another German multinational company, one of the biggest in engineering and electronics.[37]

It began to talk more about the 'climate' for foreign investors – with their profit-making seemingly seen as synonymous with 'development'. Though we also found internally-aired concerns about its evolution. In 1974, when Robert McNamara headed the World Bank after his term as US defence secretary, he warned at an internal seminar that 'the closer the IFC moves to being a commercial enterprise, the less capable it will be to perform development functions'.[38]

Contemporary development insiders told us strikingly similar things. Luiz Vieira, coordinator of the UK-based Bretton Woods Project, an NGO that monitors the World Bank, said the IFC's 'drive for profit … skews the decision-making process around the selection of projects'. He thought it could be difficult for the IFC's staff 'to take a developmental perspective on what they're doing. That's not the type of people they attract and they don't focus on that'.

'Poverty alleviation, does IFC see that as its primary role?' a former senior World Bank staffer, who requested anonymity, asked us rhetorically.

'I think you could question that,' he said. 'They're pretending to be an investment bank … [and] there are examples of IFC making people worse off.'

Like the World Bank's ICSID centre for investor-state disputes, the IFC was not new but its size, reach and influence had exploded. Since its foundation, its ranks had swelled to 184 member countries, contributing nearly $2.5 billion to its resources – though the US still controlled 20 per cent of the votes on its twenty-five-member board.[39]

It made money – $1.5 billion in 2014[40] – which it said went into new investments, as well as other World Bank operations. It charged interest on loans it made to private businesses, and it profited from buying and selling equity stakes in companies. A controversial Bank programme called 'structural adjustment' appeared to have paved the way for this growth – conditioning loans to poor country governments on deregulation and privatisation campaigns.

The Bank's infamous 'Structural Adjustment Programmes' (SAPs) in the 1980s and 1990s included so-called Washington Consensus policy prescriptions. They required borrowers to do things like increase protections for private property,

lower import taxes, restructure economies to focus on export industries and cut public spending.[41] They seemed to be copied and pasted across borders – and were criticised for institutionalizing countries' dependency on multinational companies, which entered or expanded in their markets and pushed out local producers.[42]

In the 1980s and 1990s, the Bank's annual meetings were met with mass protests. In 2000, more than 1,000 people were arrested at demonstrations outside its Washington DC complex, including a Pulitzer Prize-winning *Washington Post* photographer.[43] In 2002, the Bank then replaced its much-criticised SAPs with Poverty Reduction Strategy Papers (PRSPs), which were supposed to better involve poor country governments, and focus more explicitly on poverty reduction. But observers said their contents looked very similar.[44]

The IFC's share of total World Bank spending rose from 13 to 35 per cent between 2000 and 2013 (when it made more than $18.3 billion in financing commitments).[45] Its 'advisory branch' meanwhile counselled governments on how to attract foreign investors. There seemed to be deep potential conflicts of interest in the institution investing in companies, while also advising governments on policies that would benefit them. These and other policies should be up for democratic debate, not closed-door 'advice'?

A group of six NGOs argued:

> 'It is highly problematic for a multilateral institution to position itself as an objective source of policy advice on matters where it has a direct financial stake in the outcome, particularly in low-income countries that may not have the resources to procure advice from other sources, or in countries where weak democratic processes do not provide adequate checks and balances.'[46]

Civil society activists also pointed us to a case of water privatisation in Manila, the capital of the Philippines. It was the late 1990s and the IFC had advised the government on this privatisation, conducted the bidding for contracts to take over these services, and then invested millions in the joint venture that won the contract to supply water to the city's eastern half. By 2004, it had given it $75 million in loans as well as buying a $15 million equity stake in the business, becoming a part-owner.[47]

'Fifteen years later, residents of Manila have suffered under declining water quality and access,' said a report from Corporate Accountability International, a Boston-based watchdog. 'Hundreds of communities remain without safe water, and the cost of a connection, even where available, is unaffordable for many of the city's residents.' This case, it said, shows how 'profitability, not

human access to water, is the primary incentive when the World Bank becomes a corporate shareholder'.[48]

Frederick Jones, an IFC spokesman, contested this. He told us in an email that access to water increased from 'just 58% of the population … in the 1990s to 99% today', and also that 'water quality improved greatly'. He added that the 'IFC has different departments handling advisory and investment services and we maintain strict divisions between them … When governments seek our services as advisors, we help them run a competitive and transparent process to find the best partner.'

But NGOs and activists weren't the only ones to raise concerns about possible conflicts of interest. Guillermo Perry, a former Colombian finance minister and former World Bank chief economist for Latin America, had argued that 'there is no doubt that dealing with both governments and private firms may create incentives or even [the] occasion for advising on a policy or regulation that is self-serving to equity or debt interests in particular firms or sectors.'[49] The IFC had also acknowledged, including in a 2014 report, that 'actual or perceived conflicts of interest can arise' from its multiple roles (though it claimed to have 'implemented processes to manage these').[50]

The Queen's diamond

In the mid-twentieth century when these international development institutions were set up, the next country we would go to, Tanzania, was at the forefront of the so-called Non-Aligned Movement resisting both US and Soviet power during the Cold War. The country's first independent president, Julius Nyerere, had been a prominent 'African socialist' activist and theorist. After he left office, he was still often referred to locally as 'Mwalimu' (Swahili for 'teacher').

In charge, Nyerere emphasized national self-reliance against foreign investment and aid. Putting this into practice included support for other African independence movements – and a sweeping nationalization drive that took power from private and foreign shareholders. Investors would be allowed back into the country, he'd said, when 'we no longer have any cause to fear the effect of their activities on our social purpose'.[51]

When Nyerere retired in late 1985, he was succeeded by President Ali Hassan Mwinyi who began a new drive to liberalize the economy. He agreed deals with the World Bank and IMF to reform the agricultural, industrial and financial sectors and reverse state-ownership. A new investment law was passed and a number of treaties were signed including with the UK, enshrining 'rights' for foreign investors and giving them access to the investor-state legal system.[52]

Foreign firms, including some ousted by Nyerere's nationalizations, returned. This time, they would be protected by that legal system. They would also have support from the international development system – including the World Bank's IFC.

The Williamson mine in northern Tanzania – the first major diamond mine on the continent outside of South Africa – was one of the many businesses taken over by the state in Nyerere's nationalizations. It had previously been run by the De Beers mining giant in partnership with the colonial government.

In the early 1990s, De Beers said it had been 'invited back by the government of Tanzania', amid Mwingi's liberalisation push.[53] It re-acquired 75 per cent of the mine which it held until 2009 – when a South African business called Petra Diamonds, listed on London's FTSE 250 exchange, bought its shares.[54] Then, in 2010, the World Bank's IFC came in and became a part-owner too, buying an almost $20 million equity stake as well as giving $40 million in loans for the mine's expansion.[55]

It was the IFC's first investment in diamonds – a luxury product *par excellence* – which is why it caught our attention. We found a press release from the time of the deal in which the IFC said the mine 'currently has a resource of some 40 million carats … and is renowned as a source of extremely rare, fancy pink diamonds' – but that it had been 'operating at a loss over the past few years'. Its cash would help 'return the mine to profitability', while its presence would also 'comfort' other potential investors and 'enhance Petra's image and credibility'.[56]

But how would its investments affect poverty reduction in Tanzania? The IFC said its millions would help 'maintain employment for about 1,000 people', and that it would 'work with Petra to ensure that the Williamson expansion is carried out in an environmentally and socially sustainable manner'.[57] It would also track how much money was spent on goods and services from the area, taxes paid to the state and a commitment from the company to spend 2 per cent of revenues on community development once its activities started returning profits.[58]

It seemed like a more clearly good deal for the company, than for poor local communities. We wanted to learn more about it, in person.

On our flight to Dar es Salaam, we tried to imagine a more extravagant gift than the flawless, 54.5-carat pink diamond Princess Elizabeth received on her marriage in 1947. It was likely worth tens of millions of dollars. High-quality pink diamonds are valued at up to $700,000 a carat.[59] It was embedded in what would become one of the Queen's favourite brooches – and had travelled more than 10,000 kilometers to reach her.

We were repeating this journey in reverse – from the UK to the source of this diamond: the Williamson mine. To get there, from Dar es Salaam we had to take another much smaller plane to Lake Victoria in the north of the country near its borders with Uganda and Kenya. At that airport, we were met by a Petra worker who drove us about a hundred miles to Mwadui, the site of the mine in Tanzania's Shinyanga region, one of its poorest. Most people were subsistence farmers who struggled with droughts, or cattle rearers.

As we drove together, this worker said he had heard we were journalists interested in how the mine was helping local communities. 'Yes', we nodded, keen to hear whatever he would be willing to tell us.

'The company controls everything, and not everyone is happy.' Without giving details, he said: 'It's all about Petra. That's all that matters. You'll see.'

The mine's property stretched over more than 1.5 square kilometers of land, and further into the distance than we could see. It included a gated complex of buildings and a hospital we'd read about in the IFC's files.

When we arrived we met senior managers to ask them about the international development money they'd received. Omari Hwin'dadi, the mine's financial manager, was effusive about the IFC's investments. He said Petra had got better loans than it would have with commercial banks. They were also 'very considerate', he said, in readjusting the company's repayment schedule.

Joseph Kasaa, who ran Petra's corporate social responsibility (CSR) programmes, told us its social programmes had been useful for its response to local critics. 'There was some kind of negativity from the community over the mine because they didn't see anything useful coming from it.'

Smoothing over relationships with disgruntled neighbours, and allowing the company to focus on what it wanted: diamonds and profits? It sounded far from World Bank and IFC goals of ending poverty and boosting 'shared prosperity'.

The next morning we went to speak to some of these neighbours. We learned that the mine-funded hospital was free for mine workers, but other local residents had to pay for treatment. Even if its fees were small, many were so poor they could not afford them. A school was likewise open to children of mine workers, but not to others in the local communities, unless they paid another fee.

At a government-funded school in a nearby village, we met teacher Joseph Makoba in a class of 108 children, crammed into one room. He said Petra had paid for desks and two teachers' quarters. But, he argued: 'These investors are in our country and they are reaping a lot of fruit, so they should at least provide something … What the company is bringing to us is peanuts.'

Another teacher, Veronica Masinga at a primary school in another nearby village, told us: 'I am not happy that we have to live on handouts and donations.'

'Because the community around the mine does not know their rights, they are in the dark, they are uneducated,' she lamented. This means that 'when we get these things we feel happy even though we are just being given handouts'.

Chapter 8
Buying power

No candles in Zanzibar

Tanzania had also signed one of the largest so-called compacts with the Millennium Challenge Corporation (MCC) – a project of former President George W. Bush's administration to run aid more like a business. The idea was to set up a new type of aid agency – one which was funded by public money but was able to act autonomously, with a CEO at its head and a corporation-style board that was chaired by the US Secretary of State but whose members also included various money-making experts from the private sector.

Daniel Yohannes, an Ethiopian-American businessman, was CEO from 2009 to 2014. While still in that post, he told *The Guardian*'s development professionals network – part of the newspaper's website that was sponsored by companies as well as some big NGOs – that his corporate 'background complements the role, because what I do here is very similar to what I did in the private sector'. He argued: 'If you want to do aid effectively then you have to approach development like a business. MCC wants to make sure that every single dime – whether $100 million or $400 million – is getting the best returns, both for American taxpayers who have trusted us with their funds and for its partner countries.'[1]

Over the phone from his office in Washington DC, the then MCC Vice President for Africa Jonathan O. Bloom told us that 'a range' of people had served on the agency's board including venture capitalists. It 'is specifically intended to be a non-government voice in guiding policy, so it's a corporation in that sense, but it's not General Motors', he said.

Bloom explained that the MCC will 'only work with selected countries'. He told us: 'We don't work with everybody. It's not based on US foreign policy priorities but a set of criteria that reflect countries that are basically well run, politically, democracies, market-based economies, and invest their money in their people.'

The idea was that once specific projects were identified, the 'partner country' would sign a 'compact' with the agency committing to complete them by a certain deadline. If they didn't achieve this in time, the money – which could be hundreds of millions of dollars – would be cut off.

Tanzania's first such 'compact', worth $698 million, was signed in 2008 during then-President Bush's whirlwind tour of five African countries in six days.

Bloom told us that 'conditionalities' attached to these agreements are typically 'policy related to whatever sector we're working on'. He explained:

> There are a set of conditions both before we approve and during implementation, but in Tanzania they relate to things like the government paying the arrears it owes to the electrical utility so that the electrical utility is solid, but it leads to keeping the tariff structure reflective of real cost so that the utility can invest and reinvest in household connections.

What the MCC essentially did was find a business-friendly policy reform a government was already invested in and then try to hold them to it. This incentivised having certain reforms, like energy privatisation, in the works.

In Dar es Salaam, Bernard Mchomvu, CEO for the Tanzania compact, echoed this. 'We had a few reforms here and there, tariff reforms mainly,' he told us. 'Before, power generation was done by Tanesco – the [state] electric supply company – but the government decided to open it up. When the MCC came, we were already in the process, but then they said, "this is a good thing, why don't you open up?" So whoever wants to invest in power is allowed now.'

A flagship MCC project at the time was a new 100-megawatt submarine cable that connected the island of Zanzibar, famous for resorts and white sand beaches, to the mainland's electrical grid. Part of the construction work had been contracted out to an Indian company, while a Japanese firm was involved in laying the submarine cable. John Sakia, a project manager at Tanesco, had the job of overseeing these companies' work, and together we drove to the coast to see the sea under which the cable extended.

Sakia told us the MCC had considered but rejected plenty of other potential projects to support, and that 'most of the projects which were rejected were distribution projects. This is a transmission project', to transport high-voltage electricity over a long distance. Distribution projects, which are instead transport lower voltages over shorter distances, could have helped get electricity into rural areas – where only 11 per cent of people had connections in 2014.[2]

Mchomvu had seemed unashamedly clear about whom this project benefitted – foreign tourists, and tourism companies, rather than poor Tanzanians.

'If you go to Zanzibar now, the hotels are very happy because they have very good power supply,' he'd grinned. 'Earlier it was frustrating for tourists because the hotel power went off at 10 pm, then you have to start using candles in the hotels … you don't come from Europe all the way to Zanzibar for candles.'

A new alliance for Africa

Tanzania had additionally signed up to what was called the New Alliance for Food Security and Nutrition in Africa – an initiative launched at the 2012 G8 summit at Camp David led by then US President Barack Obama. It said it aimed to accelerate agricultural production and lift 50 million people out of poverty within a decade. But it had been condemned as a 'new form of colonialism' because of changes to seed, land and other laws.

This initiative's launch followed years of underinvestment in agriculture in Africa and the failure of rich countries to actually give much of the millions of dollars they had pledged for global food security at a previous G8 meeting, in 2009 in L'Aquila, Italy. Additionally, only eight African governments had met their own commitments, under what was called the 2003 Maputo accord, to invest 10 per cent of their national budgets in agricultural development.[3]

The New Alliance said it was innovative by bringing together governments and agro-businesses to drive change. It relied on the 'personal commitment of top-level leaders', according to a document from its 'leadership council' which brought African presidents together with the heads of aid agencies.[4] CEOs of giant companies including Cargill and Unilever also had seats.

There was scarce publicly available information about the initiative. But known details about companies' investment plans included references to cotton, biofuels, rubber and other non-food and export crops. As the years passed, it also became unclear how much of the aid money pledged by donors was actually new. The UK's Independent Commission on Aid Impact watchdog found that about £480 million most of the roughly £600 million that the UK said it would put toward the initiative consisted of 'pre-existing agriculture programmes which have been relabeled'. Companies also seemed to be 'mostly submitting existing investment plans to garner favour with governments, secure a seat in policy dialogue or to win good publicity'.[5]

Meanwhile, the African countries in their New Alliance 'cooperation frameworks' seemed to have made hundreds of policy commitments including promises to change laws and regulations in favour of agribusinesses. Burkina Faso, for example, committed to supporting private investment in fertilizer, and reviewing its seed law.[6] Ghana promised to appoint business representatives

to a government food and agriculture committee.[7] Senegal promised to 'implement tax incentives' for agricultural investors.[8] Malawi said that it would set aside 200,000 hectares of land for large-scale commercial agriculture. Mozambique pledged to stop the distribution of free and 'unimproved' seeds except for in emergencies, and make it faster and cheaper for investors to acquire land.[9]

Million Belay, the head of the Alliance for Food Sovereignty in Africa (AFSA), warned that such changes could spell disaster for small farmers. 'It clearly puts seed production and distribution in the hands of companies. Yes, agriculture needs investment, but that shouldn't be used as an excuse to bring greater control over farmers' lives,' The skilled orator argued: 'More than any other time in history … outside forces are deciding the future of our farming systems.'[10]

Olivier de Schutter, then the UN's special rapporteur on the right to food, had also sounded the alarm. He said promises were being made to investors 'completely behind the screen', without the participation of small farmers.[11]

Tanzania had pledged to reduce or lift taxes on farm machinery and equipment, crops, seeds and seed packaging. It had also committed to facilitating imports of seeds and agrochemicals.[12] But even some of the country's politicians had been left in the dark about these commitments, until after they'd been agreed.

Zitto Kabwe said he first heard about the G8 initiative when he opened a newspaper in 2012. Then the chairman of his parliament's public accounts committee, Kabwe said he was critical of the scheme from that moment – and 'completely against' the commitments that his government had made to encourage private investment in seeds.[13]

'By introducing this market, farmers will have to depend on imported seeds … It will also kill innovation at the local level. We have seen this with manufacturing,' he said. 'It will be like colonialism. Farmers will not be able to farm until they import, linking farmers to the vulnerability of international prices. Big companies will benefit.'

'Something like this needs to go through parliament. The executive cannot just commit to these changes. These are sensitive issues. There has to be enough debate,' Kabwe said, of the projects and policy changes included.

Supporters of the New Alliance said that many of the companies involved were local firms. Tanzania's New Alliance cooperation framework listed nine Tanzanian companies and eleven international ones. But Kabwe said this was not quite accurate. Some of the 'Tanzanian' companies were actually locally registered subsidiaries of international ones. They also included the Tanzanian Horticultural Association, which was an association of companies working in the country, including several big foreign firms.

Tanzania's cooperation framework said the country was 'a showcase for public-private partnership in agricultural growth, exemplified by the development of its Southern Agricultural Growth Corridor (SAGCOT)'. Under that scheme, launched at a World Economic Forum summit in Davos, Switzerland in 2010, the government had earmarked nearly a third of the country's land for private investors' farms.

Kabwe said that the government should be investing in small-scale farmers instead. 'With large-scale farming, you are turning small farmers into mere labourers,' he warned. 'Yes there will be huge investment in the country. There may be improvements in rural infrastructure. But this will not liberate people from poverty'. Including small farmers in big companies' supply chains isn't enough, he added. 'Who determines contracts? The fear is at the end of the day you have small-scale farmers being exploited.'

Your charity's c-suite

In November 2014, readers of the *Financial Times*' 'How to Spend It' section opened up the glossy supplement that prides itself on being 'the benchmark for luxury lifestyle magazines' to a profile of Justin Forsyth, then head of Save the Children UK.[14] The NGO sector had been partnering with big business in unprecedented ways and Forsyth, a media-trained, former advisor to Prime Ministers Tony Blair and Gordon Brown, had overseen a wave of new deals.

He had 'increased the charity's income by £50 million ($63.5 million) per year since 2010', according to the profile which toured his favourite tapas restaurants and other locations including the Royal Opera House in London. Forsyth smiled for the camera, one hand in a pocket, the other arm leaning on the counter of an upscale gelateria – a genial portrait of the cosmopolitan businessman.

Corporate funding of large international NGOs was not new. CARE USA had collaborated with Coca-Cola for three decades. But such tie-ups seemed to be flourishing. Oxfam said that it was 'proud to be at the forefront of partnerships between the business sector and the NGO community'.[15] 'Teaming up with Save the Children to market a new or existing product could boost your sales, profile and customer base', said that NGO on its website. 'Associating your brand with the world's leading independent organisation for children could be really beneficial for your business and stakeholders.'[16]

Nuria Molina used to work at Save the Children. After leaving the NGO she described how such tie-ups affected a campaign against companies aggressively marketing baby formula in developing countries. While preparing this campaign, it had considered what allegations to include also based on whether there were any 'potential links with the company and aid workers in relevant case

study countries, and to ensure the tone of the activities and outputs involved in the campaign did not put the broader corporate engagement strategy of the organisation at risk.'[17]

She warned, in a development studies journal, that 'NGOs, like many other institutions and companies, also tend to measure their success and influence in terms of size and income' – thinking like businesses, rather than strictly prioritizing their social goals.

In 2013, Save the Children unveiled an unprecedented £15 million partnership with the pharmaceutical multinational GlaxoSmithKline (GSK).[18] The year before, the company had been fined $3 billion in the US after pleading guilty for bribing doctors and encouraging the prescription of the antidepressant Paxil to children, even though the drug was unsuitable and unapproved for this use.[19]

One former staffer described this deal as 'a car crash'. The financial crisis was still having an impact on charity donations from the public at the time, and that 'even for some of the bigger NGOs the aftermath is continuing to create financial difficulties. Difficult choices are being made of the sort that really haven't been made for the best part of 15 years', they said. A consequence was a turn to corporate cash.

'Perhaps five years ago, the internal argument about whether to kind of hold your nose and take the money would have been more likely to tip against it. Those conversations are now tipping the other way', they told us. Results included 'a kind of self-censoring' instead of holding big businesses to account.

In the UK, many big NGOs were dependent on government funding for significant chunks of their annual budgets. This may have also ratcheted up the pressure to be open to business – as this openness had become the government's official policy. Justine Greening, then development secretary, had made this clear: 'At DFID our relationship with business has never been closer.'[20] She also said: 'I also want to work with civil society partners that recognise that the private sector is an intrinsic partner in successful development. Because … the reality is that everywhere in the world, people want jobs. And companies that aren't making any money don't tend to recruit or grow.'

A key problem, Molina argued, was that many corporate partnerships had been undertaken by NGOs in a 'very unsophisticated, unsavvy way': 'We still have a higher moral standing in the eyes of the public. Basically the sector has tended to partner with corporations selling this intangible but very valuable asset for very little and for sometimes for dubious projects. They are much better than us at negotiating so they got what they wanted from us very cheaply.'

She said that her NGO colleagues should also ask: 'You get Company A offering to do some small school in Ghana or something … but what is the rest of its development footprint? Is it lobbying at the WTO on intellectual property?'

Nick Dearden, at the campaign group Global Justice Now, said he believed the 'increased professionalisation' of many NGOs had brought with it 'this tendency to judge yourself like a business, how much you're growing'.

'Now fundraising just rules organisations,' he continued, and 'campaigning has become a form of marketing, how you get your brand out there, how you raise more money.' Meanwhile, 'there's no structural criticism of business'.

We're all partners now

Since the 2008 global financial crisis, the visibility and power of giant corporations in aid efforts had seemed to reach new levels. CEOs were sitting on UN panels discussing development priorities; NGOs and agencies like USAID were proudly partnering with companies from Wal-mart to Chevron.

For development organizations that typically relied on government aid budgets, which could be unpredictable, vary year-by-year and come under political pressure, business seemed to be a way to fill gaps or increase funds.

For companies, there seemed to be a growing menu of ways to benefit from and take advantage of aid and development efforts. They could, as we'd seen, make money from aid-funded contracts. They could get development finance to expand, break into new markets or turn around failing activities. They also had opportunities to influence public policy – and improve their images.

In New York in September 2015, UN member states adopted a set of seventeen 'Sustainable Development Goals' to replace the 'Millennium Development Goals' that had guided aid and development agenda over the previous fifteen years.[21] They included grand objectives to 'end poverty everywhere' and provide 'quality education for all'. Then-UN secretary general Ban Ki-moon called them a 'to-do list for people and planet, and a blueprint for success'.[22]

Along with these new goals, development institutions had talked about the need to move 'from billions to trillions' in financing to pay for this agenda. Teaming up with big businesses seemed to be presented as the only way.[23]

In a briefing with journalists ahead of the UN meeting in September, the chief US negotiator on the so-called post-2015 development agenda, Tony Pipa said that given 'the breadth and the ambition of this agenda … the resources are going to have to go beyond what governments themselves can provide'.[24]

Governments' aid to many poor countries pales in comparison to the foreign investment they receive, he added. The US was already using aid 'to leverage and catalyse other resources … [so that] it "crowds in" other types of investment'.

For companies, Pipa suggested that the

> question of sustainability is something that I think they are struggling with themselves. From their own perspective as businesses, how are they going to maintain and continue to grow over time? … Frankly, they also likely see opportunity in emerging markets and areas of the world that are growing. Africa has a coterie of some of the fastest growing economies in the world.

During the same briefing to journalists, Jen Kates at the Kaiser Family Foundation non-profit organisation observed that 'there really has been a concerted shift and change in the conversation around the private sector'. She said that 'whether it's self-interest, economically driven, or due to their sense of being part of a global community', companies are now involved in international development activities a 'way that wasn't there 20 years ago, 15 years ago'.

A consequence of these trends, we'd learn, was that NGOs which you might otherwise expect to hold companies to account for their impacts on local communities and the environment are also their 'partners' in development. They've lost their independence and the space for scrutiny has shrunk.

Also in 2015, there was an international conference in Addis Ababa, Ethiopia about how to finance activities to achieve new Sustainable Development Goals.

Proposals from developing countries to set up a new intergovernmental tax body – under the UN's authority, with poor countries given equal say in how global tax rules are designed – failed to pass amid opposition from rich states.[25] The final 'outcome document' presented private finance as the future of development, encouraging investment and public-private partnerships.

In London, Nuria Molina, the former Save the Children staffer, said this raised many red flags. Having worked in the development industry for decades, she believed that many multinational corporations had become more involved in these efforts 'to combat perceptions that they are really ruthless'. And partnerships with businesses, she warned, often seemed to mean accepting an ideological belief that jobs and economic growth can only come through the private sector and a deregulated 'climate' for finance and investment.

'I think partially it's a very reactive trend – to fiscal trends in donor countries, to where to get money,' Molina told us, about new corporate-development partnerships. 'There's also an element of inferiority complex,' she suggested, on behalf of people who work for civil society groups and in the public sector, 'thinking the private sector is so much better, so much smarter, so much more glamourous.'

Professor at Jawaharlal Nehru University, in New Delhi, Jayati Ghosh meanwhile said that global development discussions had increasingly focused

narrowly on poverty reduction, whereas until the 1980s they were 'essentially about transformation'. She criticised the UN's development agenda for focusing on 'ameliorating the conditions of those defined as poor, rather than transforming the economies in which they live'.

This, Ghosh had argued, took a very limited view of what poverty is.[26] Who creates – and benefits from – it is out of the frame. No one is to blame, and no one talks about wealth as, she said, this 'would then necessarily draw attention to the concentration of assets somewhere else in the same society'.

The result, Ghosh thought, was a misguided focus on 'micro solutions that are seen to work in particular cases', or 'magic silver bullets'. Out of the frame also were solutions such as tax reforms and action to ensure transnational corporations allow countries to pursue their own development objectives.

Among the giant corporations that seemed to increasingly share development stages with aid officials was Unilever, led since 2009 by CEO Paul Polman.

In 2014, the UK government had announced a partnership with the company to 'use new social business models to improve health, hygiene, and livelihoods for 100 million people by 2025', with each side putting £5 million into 'a research and innovation programme focused on affordable sanitation and safe drinking water'.[27] Then UK development secretary Justine Greening said:

> This partnership, the first of its kind, will combine our expertise and networks to help millions of the world's poorest people find jobs, improve water and sanitation and, ultimately, end dependency on aid. This is not just good for the developing world, it is good for Britain. The frontier economies we will be working to improve are ultimately Britain's future trading partners.[28]

Polman was also given a spot on UN Secretary-General Ban Ki-moon's 27-member 'High Level Panel of Eminent Persons on the Post-2015 Development Agenda'. Other members included senior politicians, such as then UK Prime Minister David Cameron, as well as Queen Rania of Jordan.[29] He would additionally help launch a new Global Commission on Business and Sustainable Development to 'articulate and quantify the compelling economic case for businesses to support the UN Sustainable Development Goals, mapping the ways that businesses can get involved, build competitive advantage and flourish'.[30]

At a 2014 Washington DC event, he told his audience that Unilever is 'the world's biggest NGO'. He repeated: 'We're a non-government organisation … The only difference is, we're making money so we are sustainable.'[31] While business-focused, he argued that Unilever could be an impactful development partner because of its sheer size. 'We have 2 billion consumers using us every

day; we are in seven out of 10 households globally … If you have that scale and reach, it's an enormous possibility to transform markets.'

Unlever was indeed a massive corporation – one of the world's largest. In 2017, it would report more than €53.7 billion in turnover and €6.5 billion in profits.[32] Its products were sold in more than 190 countries and it had almost 150,000 employees.[33] It was one of the world's biggest advertisers, spending billions of dollars every year.[34]

But it wasn't a new company – nor were its activities in poorer countries around the world new, or its involvement 'development'. Unilever was about a century old; it was one of the world's first 'brand-based' multinational companies. Its long history had also been intertwined with that of empire – including in the Belgian King Leopold's brutal Congo colony.

Chapter 9
Aiding elites

Corporate colonialists

In the early 1880s, Lever & Co was one of the largest wholesale grocers in Bolton in the UK. Outside Manchester, the town was at that time a hub for Victorian enterprise with cotton mills, print works and coal mines. Friedrich Engels had visited and called it 'among the worst'; 'ruinous and miserable'; and with a main street that 'is even in the finest weather a dark and unattractive hole'.[1]

When they were in their thirties, two of the Lever brothers saw a new opportunity in making soap on an industrial scale, and marketing it to Britain's growing ranks of wage labourers who had some, but not much, money to spend. They invested in advertising and sold individually wrapped pieces of soap in eye-catching, brightly coloured packaging. And they started to search abroad for regular supplies of palm oil.

By the early twentieth century, the company's factory was using palm oil from Britain's West African colonies.[2] Then, they went to the Belgian Congo. William Lever, one of the brothers, was described by an English journalist at the time as 'of the Napoleon breed … born to marshal big battalions and win empires, if not in war, then in peace'.[3] A Belgian colonial minister called him 'fabulously rich, probably of good heart but also hard, who sees humanity as a vast engine of production without soul or desires'.[4]

In 1908, this Lever brother was granted control over 67,800 square kilometers of land in the Congo.[5] It was a huge slice of territory, more than twice the size of Belgium, and four times that of Northern Ireland. And, as his son later wrote about it, 'not a building was erected unless the plans had been passed by him', in what was 'his personal creation'.[6] What was constructed included a 'model' company town: Leverville, for plantation workers.

'For Belgium, Lever Brothers was an ideal partner, a company hailed for the social policies it had put in place in mainland Britain,' where they'd also built

a 'model city' called Port Sunlight, in the suburbs of Liverpool, wrote Belgian academic Benoît Henriet. 'For the aging industrialist,' meanwhile, its operations and new town in the Congo were supposed to be 'the crowning achievement of his own brand of "moral capitalism".'[7]

It was interesting how both seemed to have converged on what sounded like a public relations plan to expand their interests. The reality was that Lever's plantations, run by local subsidiary Huileries du Congo Belge, also seemed to have used forced labour. Palm cutters failing to meet quotas were reportedly liable to detentions and whippings.[8]

The Lever brothers expanded in Africa, acquiring the Niger Company – one of the colonial 'chartered companies' that had helped to build the British empire. In 1929 this was merged with the African and Eastern Trade Corporation to form a new mega-subsidiary: the United Africa Company (UAC).[9] The next year Unilever emerged when the British family business merged with a Dutch margarine giant to create what *The Economist* would call 'one of the biggest industrial amalgamations in European history'.[10]

The UAC, like other big companies on the continent at the time, had worked closely with colonial governments and African 'middlemen'. As independence movements gained strength, it increasingly drew criticism and negative political attention. It thus got involved in a range of social and welfare projects, eager to be seen at the forefront of the 'new Africa'.[11]

And it succeeded – in the sense that it survived the end of colonization (as a Unilever subsidiary). In 1973, the Guyanese intellectual Walter Rodney would point to its parent corporation in his magnum opus, *How Europe Underdeveloped Africa,* as an example of a business whose fortunes were 'bound up with colonization'. The 'rewards' of empire spread, he said, such that Unilever factories around the world 'were participants in the expropriation of Africa's surplus and in using that surplus for their own development'.[12]

Rodney had argued that to understand the colonial period, you had to think about Africa's 'economic partition' which was invisible with 'no fixed or visible boundaries' unlike the political partition of the nineteenth century that could be a distraction. He'd also named 'the US-controlled IBRD' – the first branch of the World Bank, created after the Second World War – as 'one of the tools for the economic repartition of the continent'.[13]

By the time his book came out, the UAC had diversified into industries like timber, car sales, breweries, medical and office equipment, construction supplies, department stores, insurance, textiles, warehousing and shipping. It had interests in dozens of other countries in Africa and around the world, until in 1980 it was fully absorbed by Unilever.

Unilever also held onto its oil palm plantations in the Congo for a long time. Then, in the early 2000s, as war raged in the country, the company decided to leave. It reportedly made millions selling its assets while hundreds of people lost their jobs. Some said the company owed them wages – and fought for more than a decade to get them. The Congolese Supreme Court ruled in their favour in 2007, but the money still didn't reach their pockets. Some went on hunger strike in protest.[14]

Unilever's plantations were sold to a company called Feronia Inc, which was registered in the Cayman Islands and appeared to have no previous experience in palm oil. Within a few years, it had racked up tens of millions of dollars in losses and its stock price had tanked. It could have collapsed, but it was apparently rescued – by part of the international development system. In 2013, the UK's development finance institution, the CDC Group plc, invested $14.5 million in the company, purchasing 27.5 per cent of its shares as well as giving it loans. It then made further investments, and bought more shares.[15]

These investments were made despite the company facing repeated allegations of ongoing abuses on its plantations, and against nearby communities. It was also not the only case in which Unilever found itself connected to such scandals.

In India, a thermometer factory in Kodaikanal, in the hills of Tamil Nadu, run by a Unilever subsidiary had been accused of dangerously contaminating the local environment with mercury waste. These claims were at the centre of a viral music video by then 28-year-old Indian rapper Sofia Ashraf which borrowed the tune of Nicki Minaj's 'Anaconda'.[16] Eventually the corporation reportedly agreed on an undisclosed settlement with 591 former workers at the factory, ending these protests and a fifteen-year legal battle.[17]

In Indonesia, the company was criticised for buying palm oil from suppliers accused of destroying rainforests – and for allegedly using child and forced labour.[18] In the UK, Unilever's CEO Polman had protested against proposals to introduce a 'sugar tax' that were being debated as part of a new strategy to combat childhood obesity.[19]

Helping the 1 per cent

We put together another folder of notes to share with Gavin. It included timelines and lists of companies involved in the international aid and development system – as contractors or as 'partners', and as beneficiaries of investments.

The names in these notes included that of a private healthcare company in India that marketed 'specialty hospitals' to local elites and international 'medical tourists'. Controlled by billionaire brothers Malvinder and Shivinder Singh,[20] it had received a $100 million investment from the World Bank's IFC branch.[21]

Other beneficiaries included the empire of late Honduran oligarch Miguel Facussé Barjum, who died in 2015. The IFC had invested in his corporation, Dinant, which had 20,000 acres of palm plantations in Bajo Aguán, Honduras, and had been accused of using a private security force to forcibly evict families from nearby land. The *Los Angeles Times* had described him as 'colourful' and 'often ruthless'.[22]

The Hunt Oil Company had also received IFC support. This company was founded in 1934 by a Texas oil tycoon and conservative political activist, Haroldson Lafayette Hunt Jr. It was then owned by Hunt's son, Ray Lee Hunt, who had an estimated net worth of nearly $6 billion.[23] A natural gas project it operated in Peru received $300 million in IFC loans.[24]

There were more examples like this than we could possibly cover over lunch. Across Africa, Asia, Eastern Europe and Latin America, we had found 'development finance' being used for luxury hotels and retail complexes, private healthcare companies catering to elites and multinational supermarket chains with controversial records in terms of labour conditions and worker's rights.

The IFC had been repeatedly criticised for such investments by civil society groups which in some cases also documented serious harms to local communities. In 1999, amid such criticism, the institution set up an 'independent accountability mechanism' called the Compliance Advisor Ombudsman (CAO). It's supposed to 'address the environmental and social concerns of people and communities' affected by its investments.[25] Some people, supported by human rights lawyers, had appealed to it with grave allegations including of forced displacement and violence.

We found detailed and sometimes damning reports produced by CAO investigators – but they could only recommend changes in response. They couldn't enforce them; there were no clear consequences if they were ignored. It seemed that little ever happened as a result of these investigations.

The World Bank's Independent Evaluation Group – another part of the bank's monitoring infrastructure that seemed to have no 'teeth' – had also repeatedly faulted the IFC for failing to clearly live up to its ultimate anti-poverty mandate. Most of its investment projects, it for instance reported in 2011, 'generate satisfactory economic returns but do not provide evidence of identifiable opportunities for the poor'.[26]

Gavin led us to a cafe near the university where we ordered sandwiches and took advantage of the otherwise empty room to pull two tables together and spread our notes across them. We also shared with Gavin what an activist had told us in El Salvador, about some of the UK's development money going to gated communities: 'What surprises me is their idea of development.'

Gavin thought about this. 'If these agencies are supposed to be progressive forces for development that prioritises the poorest, they're doing a terrible

job. But,' he suggested, 'if you think development means that the rich get richer, and can expand as much as they want, then these institutions are perhaps working just fine. Doing great!'

Then we told him we had decided to go east next – to Myanmar, a country that was opening itself up to private investors amid the lifting of international sanctions and the introduction of a nominally civilian government. In 2014 the IFC had signed off on a huge $80 million investment there, and we wanted to see it in person.

Welcome to the Shangri-La

We arrived at Yangon International Airport just before dawn, and took a taxi into Myanmar's commercial capital as the sun was rising. We drove past a lake alongside which dozens of people were stretching and exercising.

We checked into a budget hotel in the centre of the city and then took a taxi to the IFC's office in a fancier part of Yangon. We were meeting the institution's top official in Myanmar, Vikram Kumar, formerly of Bank of America and India's Yes Bank. We sat across a large desk from him and explained why we were here: to learn about the IFC's largest investment in the country to date.

We had already read about it online: an IFC press release had trumpeted how it was helping to 'build business-enabling infrastructure in Myanmar, boosting tourism'.[27] The institution's $80 million was going to subsidiaries of a conglomerate called Shangri-La Asia Limited, to renovate and expand a hotel, as well as to complete the construction of a separate apartment complex.

We'd also read about the Malaysian billionaire whose empire this Shangri-La company belonged to: Robert Kuok, one of Southeast Asia's richest men. His family's holdings included one of the world's largest palm oil companies. He'd been doing business in Myanmar since the 1990s, when he partnered with Steven Law, a businessman and son of Lo Hsing Han, a notorious drug lord nicknamed the 'godfather of heroin'.[28] A leaked State Department cable said that Law was known in 'business circles as the regime's top crony'.[29]

Together with Law, Kuok had built the hotel in Yangon that the IFC's money would later help renovate. By the time we arrived in the city, the World Bank had become one of Kuok's more respectable business partners, helping to expand his chain of luxury hotels and resorts throughout Asia. The IFC had already invested $50 million, in 2009, in the construction of a 142-villa Shangri-La resort in the Maldives.[30] In 2012, it put another $50 million towards a new five-star hotel in Ulaanbaatar, Mongolia.[31]

We went into our meeting with Kumar sceptical about the IFC's choice to make Kuok's properties in Yangon the recipients of its record investment. We

had read its account of expected impacts – creating jobs and 'demand for locally-sourced materials' and adding 'much-needed supply of international standard hospitality infrastructure to Yangon'. It argued that this 'will send a positive signal about Myanmar, particularly to other foreign investors who are considering investments in the country.'[32]

We wanted to know: had the IFC considered other major investments as alternatives, and why did they choose Shangri-La? Did this company really need international development money – surely it had its own, or access to commercial banks and investors? We left the IFC's office with few details, however. Kumar reiterated what we had already read on its website.

He said: 'We see it as business – enabling infrastructure, hotels – and it also fits under our jobs article, because of the number of jobs the tourism sector creates.' Kumar seemed to evade our requests for details: how many jobs, for example, and how much workers were paid, and how their rights were ensured. He repeated his main message: the IFC was helping to jump-start Myanmar's development by making it more attractive to international investors.

From the IFC's office we went to one of Yangon's main tourist attractions – the Bogyoke Aung San Market, a major bazaar named after the general who led Myanmar's twentieth-century independence struggle against the British. Inside, we saw cobbled streets and stalls selling everything from fabric to purses, gemstones and antiques, fried noodles and pig organs tossed in chili sauce.

But we had come here to go across the road – to the Shangri-La luxury hotel which had benefited from the IFC's multi-million dollar investment.

The hotel, which advertised 'stately elegance' and 'a blend of luxury with the warmth of home', was in Yangon's central business district.

The IFC said its investment would help pay for its expansion from 270 rooms to more than 450.[33] We craned our necks and counted more than twenty floors in a modern-looking building. It towered above others nearby and had a row of palm trees in front of it. We saw a limousine pull up to the front entrance and a well-dressed couple get out.

Bellhops waited at the front doors wearing gloves. We went close enough to the entrance to see an easel had been set up advertising a buffet dinner.

We then stepped through a metal detector into the lobby. Immediately, we felt the contrast between its opulent interior and the chaotic streets just outside. In place of dust and dirt there were sparkling floors and cleaners wiping away fingerprints from counters and side tables. Gone was any sign of poverty.

Its restaurant's extravagent dinner buffet featured many rows of freshly cooked dishes that were elaborately displayed with uniformed staff helping

to serve portions. Guests in business suits ate fresh lobster and skewers of large prawns.

Up a flight of stairs, we found a well-stocked period bar and more suits gathered around aged whiskeys. A bartender slid us menus which showed prices that would be prohibitive for most people in the city – $15, for example, for a small plate of lime and pepper calamari tempura. We ordered a round of the cheapest, bottled beers and tried to talk to some of the other people around us. We met a private pilot who wasn't sure (or didn't want to say) what his presumably very wealthy client was in town for.

A British woman was sitting by herself, sipping a glass of wine. She said she worked as a teacher in Yangon, and liked to treat herself to an occasional drink at the hotel. We explained that we were following international aid and development money, and that had led us to the Shangri-La because it had received financing from a branch of the World Bank, whose mission is to end poverty.

She took a large sip of her wine and asked us to repeat ourselves. She was surprised that this fancy hotel could receive this money. We explained that we'd met the IFC's top official in the country that morning, and that he and the institution's documents said its multi-million dollar support would help create jobs and encourage more foreign investment in the country.

We could see that she was sceptical. 'For me, living here as an expat, it's fantastic,' she said after another sip. 'I can come here and get a glass of beautiful wine and use the Wi-Fi. But for the wider community? I'm not sure.'

The next day, we went to the newly built Shangri-La serviced apartments that had also benefited from the IFC's record investment in Myanmar.

Just north of downtown Yangon, we found the upscale complex of 240 luxury residences overlooking the iconic Shwedagon Pagoda – another major tourist and religious site – and a serene man-made lake. Marketed to wealthy expatriates and foreign businesspeople on extended visits, amenities included a pool, 24-hour private security, maids' quarters and a limousine service. Signs in a lobby said the complex now offered the Cartoon Network and yoga classes.

We had arranged to tour the development by posing as potential renters. We had been vague on details but had repeated buzzwords from its promotional materials while scheduling our visit: we were busy professionals, new to the city, looking for a home that was calm and convenient. We explained that we had seen an advert for the serviced apartments at the Shangri-La hotel.

A young woman in a tailored blazer and dark skirt said she was expecting us. Our tour began immediately as we followed her through the lobby into a courtyard with a pool. In the water were two young children playing with a beachball. Back inside the complex, we went up a stairwell to see one of the apartments – a fully

furnished two-bedroom where everything looked brand-new from the floors to the dishwasher. Our guide walked over to one side and pulled open curtains to reveal the prize view of the pool.

She gestured to the bedrooms and said another model was also available with another small room that a live-in maid could use. 'We can even find a maid for you,' she smiled. 'If you live here, we'll do everything we can for you.'

While about half the population in Myanmar lacked electricity and there were just six physicians for every 10,000 people,[34] Shangri-La residents enjoyed unfathomable luxuries including an on-call private doctor and high-speed Wi-Fi. The price-tag for this treatment was high; apartments, we were told, went for as much as $7,000 a month.

According to the IFC's documents, the Shangri-La's expansion was expected to create 600 permanent jobs, and 1,000 temporary construction jobs.[35] It didn't sound like very much, for $80 million of development money, and a lot of questions were unanswered. Were the jobs created good? Were labour rights protected? And what other investments were considered?

We weren't the only ones asking such questions. In Yangon, we also met aid workers for both international and local NGOs who expressed frustration about such budgets going to very large private businesses. 'There is an increasing tide of scepticism and concern about these development projects and how they will benefit people,' one of these aid workers told us.

A former senior World Bank staffer, who later spoke to us on condition of anonymity, agreed that the Shangri-La investment seemed dubious. 'I'm not sure what the impact on poverty alleviation is,' he said. 'You could argue that there will be jobs for construction workers, jobs for people who work in the hotel, jobs in the suppliers to the hotel, but it's a *very* indirect kind of approach to poverty alleviation.'

Europe's Walmart

The IFC's investment database also showed several deals in Poland – including with multinational chains of supermarkets. They included Lidl – sometimes called 'Europe's Walmart' for its no-frills style. Its bright blue, red and yellow logo had become increasingly well-known across the continent, and in the UK – but so had its controversial track record for working conditions and rights.

In Germany, the magazine *Stern* had revealed that this company was spying on employees including with private detectives, as well as prohibiting bathroom breaks during work hours.[36] A Lidl executive conceded to the major newspaper *Der Spiegel* that it had 'made big mistakes' and had 'a lot of room for

improvement – especially when it comes to transparency and the way we treat employees'.[37] In the UK, meanwhile, Lidl had been in the news for reportedly forbidding some Polish staff from speaking their language, including with Polish customers.[38]

In contrast to this notoriety, the company behind the chain was far from a household name. This was the Schwarz Group, established in the 1930s as a grocery wholesaler in Germany, that had since become one of the world's largest and fastest-growing retailers. The reclusive Dieter Schwarz was in charge. Intensely private – only a handful of photos of Schwarz were known to exist[39] – he was one of the world's richest men, worth an estimated $21 billion.[40]

According to the IFC's records, it made its first $100 million investment in the Schwarz Group in 2004 – the same year that German trade union Ver.di released its 'black book' on Lidl, documenting numerous alleged labour rights violations.[41]

This funding, the IFC had said at the time, would help the group expand in 'selected urban areas' in 'target countries in central and eastern Europe'.[42] Which specific countries was not made clear in its public communications announcing this deal. But on its website we found a list of addresses and contact details for this investment – including that of a Lidl corporate office in Warsaw, Poland.

In 2009, the IFC approved a second investment in the Schwarz Group – a $75 million loan to support Lidl's sister chain Kaufland to expand in Bulgaria and Romania. Then, in 2011, it approved a further $66 million for Lidl's expansion in Romania.[43] In 2013: more than $105 million for Lidl's plans to scale up in Bulgaria and Croatia and to open its first stores in Serbia.[44] In total, we counted about $350 million in IFC loans for the Schwarz's march across Europe.

Another development finance institution – called the European Bank for Reconstruction and Development (EBRD) – had also given the Schwarz Group another nearly $500 million in the decade to 2015, and it had helped it to raise an additional more than $200 million from other, commercial banks.

It and the IFC made similar arguments about these investments – that the expansion of these supermarkets would create jobs, open new markets for local producers and bring quality, affordable food to poor consumers.

When we questioned the IFC directly about these investments, we were told this expansion had 'created new channels for local farmers to supply their products' while 'consumers gained access to a more affordable and diverse selection of high-quality food products'. But, a spokesperson refused to give us details on exactly how much of Lidl's products had been purchased from local producers, for example, or exactly how many jobs had been created.

'It is typical for financial institutions considering an investment in a company to sign confidentiality agreements to protect the sensitive information they review,' they said. 'We simply cannot disclose competitive information without consent

of the company … and in this case, the information you request about the exact employment and local sourcing number is confidential.'

Like the IFC, the EBRD similarly claimed that it regularly monitored its investments' impacts – but that important data was 'commercially sensitive' and confidential. So we booked flights to Warsaw to try and learn more there.

Chapter 10
A new continent

Silent partners

Poland's capital and largest city was famous for the 1944 Warsaw Uprising led by underground resistance fighters who tried to liberate the city from German occupation. It also lent its name to the Soviet Union's 'Warsaw Pact' alliance to rival NATO. This was where the USSR began to collapse, in the late 1980s. After years of pro-democracy protests, semi-free elections brought a new coalition government to power.

In the 1990s, Poland moved to liberalize its economy – as Tanzania had after Nyerere – and began an extensive privatisation drive selling off state assets. It entered into its first deals with the World Bank and the IMF, receiving finance while committing to 'structural adjustment' reforms.[1] And it signed dozens of treaties giving foreign investors 'rights' to challenge it at international tribunals.[2]

Our first meeting in Warsaw was in the food court of a shopping mall, where we found Alfred Bujara, chairman of the retail section at Poland's Solidarity trade union. We wanted to know from him about the conditions for workers at the Lidl and Kaufland supermarket chains that had received support from the World Bank and the EBRD – and whether the presence of these development institutions had made a difference.

Through a union translator, who sat beside him, he told us that 'stress and intimidation is very high' in these stores. He described difficult working environments as well as cases of harassment and bullying by managers against workers who tried to organize. The union had struggled to reach people there.

Bujara had his own sources – such as individual workers who had reached out to Solidarity for help. But he told us that problems at the no-frills retailer had also been documented by the state labour inspectorate. These problems

included repeated violations of national employment laws – including those requiring employers to give workers at least 11 hours off each day and 35 hours of uninterrupted rest each week.

Later we would hear about some of these conditions from workers who knew them first-hand. One of these people, Lukasz, worked the night shift at a Lidl warehouse, and would speak to us only after we confirmed that we could never print his surname, because he was afraid of reprisals from the company.

'We are overworked, we do the work that should be done by many more people,' Lukasz told us. He described feeling powerless; he needed wages, however low, and couldn't leave unless he found another job elsewhere. He told us that his wrists had swollen and that he had bruises all over his body from packing and unpacking heavy loads of fruits and vegetables. Other workers struggled similarly, he said, or worse, but all were fearful of speaking out because they were also 'afraid to lose their jobs'.

Despite national laws that were supposed to protect his rights – and the presence of international financiers who are supposed to prioritise development goals – he seemed to have few options in terms of recourse.

We had wanted to know if Bujara had been in touch with the IFC or EBRD, about the conditions for workers in the supermarket empire they were supporting. Had they tried to file complaints with these development bodies, for example?

He made his translator repeat what we asked several times. And instead of answering us he had many questions of his own.

The translator relayed to us: 'It doesn't make any sense.' We had brought printed copies with us of documents about these investments, and laid them out on the table between us. We'd highlighted in yellow the sums of money. Their eyes widened; they hadn't known about this financing. 'How could this be?'

At the Warsaw School of Economics, we met Jan Czarzasty who had been studying the expansion of multinational retailers in Poland. 'Everywhere where they open new stores, there are stories that come to the surface regarding working conditions; employee satisfaction is generally low,' he told us.

It was a clear pattern, he stressed, along with expansion strategies that include 'systematically penetrating smaller and smaller locations, smaller towns, in many cases villages'. Large chains can squeeze out local retailers – including small mom-and-pop shops that, for example, may not be open for as many hours – and fundamentally change rural economies.

'It's another variation of the Wal-Mart effect,' he told us. He acknowledged that some new jobs will be created by the expansion of big chains; but he also

wanted answers to obvious, important questions: 'how many new jobs [are created]? And how many jobs are lost? We don't know that.'

Like Bujara, Czarzasty knew more about these workplaces than most. But he also seemed surprised by the development money Lidl and its sister chain Kaufland had received from the IFC and EBRD, and asked us for proof. We showed him the same documents we'd shown the trade unionist.

'This is very surprising,' the economist said, looking at the records.

We also visited the Warsaw Lidl office that was listed as a contact on the IFC investment record. There, neither the receptionist nor the colleagues she called could answer our questions. No one, in fact, seemed to know what we were talking about. Like Bujara and Czarzasty, they said that they hadn't heard of this money before.

At Lidl stores in the city, shoppers we stopped looked even more bewildered when we told them about the development finance the company had received. It seemed increasingly clear that you could work or shop there, or even study the company's expansion without ever knowing that it had been supported by these powerful international institutions, in the name of 'development'.

Shoppers also pointed out that Lidl wasn't even the cheapest place to buy groceries, and so it was very unlikely to be serving and helping the poor. Checking this online we found a 2014 survey that showed how a standard shopping basket at Lidl cost more than 15 per cent more than at other supermarkets in the country.[3] Local street markets could be cheaper still.

Weeks later, a company spokesperson finally responded to our emails and said its wages in Poland were 'significantly higher' than those at other retailers; its employees get benefits including free private healthcare; and Lidl 'has always been open to dialogue with employees as well as with trade unions'.

But they did not respond to our questions about the money it had received from these development institutions – which seemed almost like silent partners, giving cash and supporting private empires behind the scenes.

Post-Soviet profits

The IFC had been envisioned in the 1950s by its advocates from elite US political and business communities as a soft-power antidote to the spread of communism. But it did not close up shop when the Soviet Union did. Instead, its investments increased globally – including in former-Soviet countries.

These were the countries that the EBRD was founded to focus on. That institution's full name (the European Bank for Reconstruction and Development)

closely echoed that of the World Bank's initial branch, the International Bank for Reconstruction and Development, founded after the Second World War. It was created by many of the same powerful Western governments in April 1991.

Its founding mission: to support former Soviet countries develop new private sector, capitalist economies. It offered financing for banks and businesses – including multinational corporations that wanted to expand into this region. It also encouraged the privatisation of state-owned companies.[4]

Like the IFC, the EBRD gave loans, guarantees, bought minority equity stakes in companies and offered a range of other financial services. It also worked with 'financial intermediaries', invested in other banks and through private equity funds, and was a major investor in power, energy and agriculture industries.

To be eligible for EBRD support, companies had to have a project in one of its target countries with 'strong commercial prospects'.[5] The bank said that it would support 'environmentally sound and sustainable development'.[6]

Like the IFC, it had also come under criticism from civil society groups who accused it of enabling giant companies to steamroll through the region. It was criticised for financing projects connected to environmental and social harm, including what the CounterBalance monitoring group called 'large hydro power projects that destroy biodiversity and coal mines which negatively impact livelihoods'.[7] Though it seemed even more obscure than the World Bank branch.

This was despite the fact that it had expanded beyond its focus on former-Soviet countries and also into Greece, Croatia, Cyprus and the Czech Republic as well as Romania, Serbia and Turkey.[8] It was headquartered in London, where we lived. The Overground we took to get to the CIJ flew by it.

But it was rarely discussed in the media and its offices blended in with the other commercial financial buildings in the area. Nothing in its coverage or appearance seemed to reflect how it was in fact a publicly-owned development institution.

The EBRD's offices in London, near Liverpool Street station, were in a large building with impressive windows and dark columns framing its entrance. They were in an upscale, mainly pedestrianized development called One Exchange Square which the bank's website proudly noted 'was inaugurated by Her Majesty the Queen' in 1991.[9]

'It was essential', the EBRD said, to find an office space that resonated with the 'modern, forward-looking, efficient' image it wanted to project. The space also had to be large enough to allow for its already-imagined expansion. Over the years it hosted 'many VIPs from the countries where we invest', along with music concerts and film screenings.[10] (Later, in 2022, the bank would move its headquarters to the Canary Wharf business district).

After returning from Poland, we went to this building to interview Gilles Mettetal, the EBRD's head of agribusiness. We wanted to confirm details of his institution's support for the Schwarz Group, and the expansion of its Lidl supermarkets. We also wanted to get his reaction to the concerns we had heard – from poor working conditions to impacts on local traditional markets. We wanted to know: Why had the EBRD injected so much money into the expansion of these stores? Surely the billionaire Schwarz's corporation already had the money it needed to expand, or could have found it elsewhere. Why would they spend limited development money like this? And what were they doing in response to concerns like those we'd heard?

We exchanged our IDs for temporary name badges at the front desk and took an elevator upstairs to a meeting room. Mettetal grinned as we sat down and began talking. He seemed proud of the EBRD's investment in the Schwarz Group's expansion. 'For the people, it changed their lives,' he exclaimed.

The company had provided a 'model that at the time didn't exist, which was targeting the lower social category, a poorer category, offering products to people who otherwise could not afford them', Mettetal told us. 'This is the credit I give them. They have been, yes, a quite commercially aggressive group, but they have people accessing products that they wouldn't have been able to access otherwise.'

Avocados and plastic surgery

Romania was another country where Lidl and its sister chain Kaufland had been expanding, with support from the World Bank's IFC. In the capital Bucharest, we took a small tour of these stores where we met customers like Camelia, an elegantly dressed woman who had just finished her shopping and was loading her groceries into her car outside.

'I like the avocados,' she said. But she found it hard to believe that Lidl had benefited from development money. 'Of course I know what the World Bank is,' Camelia said in the parking lot, 'and perhaps they could have found a better use for their money considering all the problems we have in Romania.'

In another neighbourhood, west of the city centre, another Lidl store seemed particularly busy. Shoppers crowded its no-frills aisles picking up jars and cans as well as vegetables and fruits that were fresh but often, we saw, bore labels showing that they had been produced abroad and then transported here.

Nearby, Ion Garalin, a small-scale trader, told us that he had sold locally grown vegetables at the Piata Gorjului market for more than two decades. Since Lidl opened down the street, he said, he and others had struggled.

'Really, the most negative impact is that they've chosen to open stores very close to local markets like this one,' said the then-67-year old, standing in front of his stall. Unlike the crowd we'd seen at the store, there was only a slow trickle of customers. 'We're being eaten alive … We can't go on like this,' he said.

From potatoes to apples, many of the same things were being sold at the market as at Lidl, and the store didn't seem to have cheaper prices. Those with little money still relied on street markets that were increasingly struggling themselves. Far from helping the poorest, it seemed to be limiting their options.

The IFC was also involved in the private healthcare business in Romania. Such investments internationally had been controversial – especially as the World Bank had also advised governments on privatising parts of their healthcare systems.

The NGO Oxfam had revealed that one IFC-supported private healthcare project in Lesotho was consuming 51 per cent of the nation's healthcare budget, while the company involved was reaping 25 per cent returns.[11] (The IFC challenged these figures, saying the project actually ate up 35 per cent of that budget. It was still huge.)

A separate $1 billion IFC 'Health in Africa' initiative, launched in 2009, had controversially focused on expanding private healthcare across the continent. It said it would 'catalyse sustained improvements in access to quality health', with a specific 'emphasis on the underserved'. But among its investments were facilities that were clearly targeting wealthier people – including a private fertility clinic in Nigeria where a single round of in vitro fertilization cost more than $4,600.[12]

Since 2002, the IFC had been advising Romania to 'reshape the country's healthcare system in order to encourage greater private-sector participation'.[13] In 2005, it also began to advise a company, MedLife, on the design and strategy of a new for-profit hospital. The next year, it made a $5 million investment in this business, which it called 'the first private hospital chain in Romania'.[14]

By 2015, MedLife still dominated the country's private healthcare market. Its clients included wealthier residents, expats and 'medical tourists'. Its services included 'the full range of surgical and non-surgical beauty procedures'.[15]

We made an appointment to visit this company's headquarters and were pleased to secure an interview with MedLife's president himself, Mihai Marcu, a stocky former investment banker with close-cropped hair. We met in his seventh-floor office overlooking central Bucharest. He was proud of the IFC's investment in his company, and unlike Lidl he was happy to talk about it. He boasted that it was a 'very special and unique thing … for the World Bank through their IFC division to become shareholders along with a family'.

He said this because MedLife was a family company and the IFC's finance for it had been in the form of a $5 million equity investment. It had bought part of the business, and had become a co-owner. For the company, Marcu said this helped its 'image' and to attract clients and staff. MedLife also benefited from the IFC's 'huge expertise' and invitations to learn from other private hospitals including in the US.

'Don't forget, my background is in banking and risk, so I always have an open door to the bankers in Bucharest,' he told us. He boasted that MedLife could have easily secured financing to expand from private equity firms or commercial banks. It partnered with the IFC because of additional benefits it would receive.

This jarred with the IFC's mission which isn't really to compete with commercial banks. It was supposed to invest where private capital could not otherwise be obtained, and where important development gains could be achieved. So we then turned to that second point – MedLife's development impacts. Marcu told us that more than 4 million Romanians had visited the company's facilities – or one in five of the country's total 20 million residents.

But he returned a puzzled look when we asked him how the company's activities helped to achieve the World Bank's stated goals of ending global poverty and boosting 'shared prosperity'.

Many people can't afford MedLife, he told us, in particular 'kidney and heart patients.' He estimated that only 20–30 per cent of them could continue their treatments with the company after initial appointments. What happened to the rest?

Marcu said they were 'referred to the state hospitals' – but didn't express much sympathy for them. He told us that Romania was a 'two-speed' society. Its poor people are poor, he argued, because they 'do not want so much to work'. Those are the people, he said, who can't afford MedLife: 'They don't want to develop and do things.'

We would have voted no

Ukraine was part of the USSR until its end in 1991. It was the poorest country in Europe, but it had extensive, fertile farmlands and had become one of the largest grain exporters in the world.[16] We flew into Kyiv to meet local activists who had been monitoring expanding agribusinesses – as well as the international development finance they'd received, and controversial impacts on the ground.

From the capital, we travelled more than 200 kilometers south to the Vinnytsia region, in the middle of the country's rural heartland. This was where a giant company, owned by one of Ukraine's wealthiest men, was expanding chicken farms with IFC help. Local people had complained of negative environmental impacts and pressure to give up their land to the expansion.[17]

We travelled with some of the activists we met. On the way, we learned how after the dismantling of Soviet and collective state farms in the 1990s, land was divided into small plots of roughly two hectares each and distributed among the population. There was a moratorium on sales of this land – but that was expected to be lifted in 2016 or shortly after. Meanwhile, big agribusinesses had already been acquiring huge swaths of territory via long-term leases of up to fifty years. This had fuelled concern over a 'quiet land grab', with land increasingly controlled by a few powerful people and companies.[18]

By 2015, foreign companies controlled an estimated 2.2 million hectares of farmland.[19] Big Ukrainian companies including Myronivsky Hliboproduct (MHP) – which was expanding its poultry farms with help from the IFC – were also major players. Its founder and chief executive was Yuriy Kosiuk, who owned 66 per cent of the company's shares.[20] He was also one of eight billionaires who were estimated to control nearly 6 per cent of the country's GDP.[21]

The IFC first invested in MHP in 2003 – then again in 2010 and 2013, providing it with loans including for 'crop cultivation and to secure the land lease rights'.[22] In 2015, it announced another, much larger, $250 million investment.[23]

In Ukraine, MHP dominated the domestic poultry market pursuing an aggressive 'field to fork' strategy, growing its own grain to feed its chickens and installing facilities to incubate eggs, slaughter animals and package meat.[24] It also exported chicken meat and luxuries such as foie gras across Europe, and it was listed on the London Stock Exchange.[25]

As soon as we arrived in the area near MHP's poultry farms, we were hit by the stench of animal waste. People living nearby said the smell and noise were constant and overwhelming. They described damage caused to roads and houses from the weight and vibrations of trucks driving day and night.

'Before, it was calm and peaceful here', said one man, showing us cracks in the brick walls of his small house, which he said appeared after these trucks began driving through the village. 'Now … everywhere, it's all broken.'

The IFC said that its investments in this company had created jobs and supported 'food security' in Ukraine and beyond. But, in villages near its expanding farm in the Vinnytsia region, people shrugged at this – and said that no officials seemed to be listening to their concerns about its negative impacts.

Some people said that they had been pressured into signing long-term leases with the company, giving their land over to the expanding farm – which was a massive complex with slaughterhouses, hen houses, fields to grow crops to feed the chickens and incubators for eggs.

Others told us that they'd written complaints to the company and local authorities but that no one was paying attention to them.

'There's no rights, no consultation', one woman said. She spoke to us anonymously, explaining that she was afraid the company would retaliate against her. People in her village, including the sick and elderly, had already been visited at home and coerced into giving their land over to the project, she said. 'We are nothing for rich people, they don't want to see us, or hear us.'

Several other people said company representatives visited villagers at home – knocking on doors and effectively forcing their way in. What they wanted was always the same: access to land for their expansion, as soon as possible.

When we later presented the IFC with these allegations, we were told that land acquisitions and environmental impacts were covered under its 'performance standards, which define our clients' responsibilities for managing environmental and social risks. If there are specific concerns or incidents connected with this investment, we will work together with the client to help address them'.

In a statement, the IFC added that it had invested in MHP to support poultry production in Ukraine 'which has created jobs and promoted the development of the agribusiness sector, a key driving force for the national economy', and that its finance had helped to improve food safety standards and energy efficiency. 'Despite the challenging economic situation, the company continues with its expansion programmes and, as a result, direct employment is expected to grow', it said.

Anastasiya Sobotyuk, MHP's head of investor relations and communications, described Ukraine as a 'food basket for the world' with great potential because of its famous 'black soil'. She said the company complied with local environmental regulations and built long-term relationships with local communities, often paying higher-than-market rent for the land it leased. 'We can't force people, because it is our reputation and we are here for a long time and need land.'

She acknowledged opposition but suggested that some critics might have ulterior motives, claiming: 'there are some people who understand our competitive advantages … and therefore do black PR campaigns toward MHP'.

Natalia Kolomiets, an environmental protection specialist at the National Ecological Centre of Ukraine (NECU), an NGO in Kyiv, was also worried about MHP's competitors. Big farms were the wrong approach for Ukraine, she argued; small- and medium-sized projects should be supported instead. Development institutions, she added, should pay closer attention to the perspectives and concerns of people living near the projects they back.

She said her organisation had received numerous reports of 'growing fears about potential ecological and health impacts, and extra pressure on local people to sign land lease agreements' near MHP's farms. But, she worried, 'it

looks like once the business, the state and the investors are interested in having these projects, there is really little attention paid to local populations'.

As in other communities we'd visited around the world, villagers in the Vinnytsia area said they had never heard of the IFC arm of the World Bank – let alone its internal accountability mechanisms whereby impacted communities can file complaints if they have grievances. Instead of being consulted, they said they learned about the project when it was too late to effectively resist it.

'There should have been community discussions before building started, but there weren't,' a woman had told us standing near the village school where she works near the site of the expanding agribusiness empire. Instead, 'they just gathered us and confronted us with the fact that they were building this'.

'Had there been a vote,' she said, 'people would have voted against it.'

As with the international investor-state legal system we had investigated, the international aid and development system had also been created to shape poorer countries, but had since expanded to affect Europe too. It was helping companies to expand, but it also seemed there to help when they got into trouble.

'Imagine that,' Gavin exclaimed, as we told him what we had found. 'A global welfare system that actually works – just not for who needs it most.'

'It's weird, too,' he added, 'that capitalists, who always talk about competition and the risks they take, have this system to cushion their falls.'

Gavin always seemed to see through what he called the 'useful propaganda' those in power deploy to justify themselves. He had this in common with activists we'd talked to on the ground, from Central America to Africa.

'Are you going to take a break now? To figure out your next moves?'

We shook our heads. We'd seen something else that troubled us, in Myanmar.

PART THREE

Corporate utopias

Chapter 11
Fences up

Building control

Yangon, Myanmar's commercial capital, had been our main base while in the Southeast Asian country. It was the country's largest city, with more than 7 million inhabitants. It was also an ancient city, first founded in the eleventh century, that had survived several empires.

In the eighteenth century, while under the Konbaung Dynasty, the British colonial East India Company opened up a factory there.[1] In the nineteenth century, it became the capital of British-ruled Burma. In the twentieth century, it was occupied by the Japanese during the Second World War, then it became the capital of newly independent Burma in 1948.

It remained the country's political capital until 2005, when the military government relocated administrative functions north to a new, purpose-built capital city called Naypyidaw.[2] After that, Yangon was still the site of major anti-government protests including during the 2007 'Saffron Revolution' when hundreds of thousands of monks, students and other people flooded its streets – and state forces responded with mass shootings.[3]

We arrived in spring 2015, before Aung San Suu Kyi's party won a landslide victory in elections later that year, and before – in her new role akin to Burma's prime minister – she became the subject of global criticism for inaction in response to the genocide of the Rohingya people in Rakhine State, as well as for prosecuting journalists.[4]

Yangon looked like a patchwork of colonial-era buildings, some dilapidated and some renovated, alongside shacks, construction sites and the occasional slick modern developments – like the Shangri-La hotel which had received millions of international development finance from the World Bank's IFC – rising high into the sky with large panes of perfectly clean glass.

It was hard, we learned, to travel around Myanmar. Not because roads and internal flights didn't exist, but because to reach some areas – including where there were expanding industrial projects – you needed special permits, which we didn't have. We didn't try to travel under the radar to restricted regions. But we did leave Yangon twice. First, to go to Naypyidaw, often translated as 'Seat of the King', which was built in the middle of rice paddies and sugar-cane fields at a cost of up to $5 billion.[5]

We left just as the sun was rising, and drove north for five hours to reach it. Officially the city had a population of 1 million people, but it was eerily empty and silent on a bright Sunday. Newly paved streets were lined with flowers and pruned shrubbery; behind them were large detached buildings, villa-style hotels and shopping malls, all painted in soft pastel colours. There were golf courses, and a zoo complete with an air-conditioned penguin habitat. Restaurants had fast Wi-Fi. The only thing missing seemed to be people.

We stopped to talk to workers at some of the facilities. With no customers they had time to talk, but they seemed nervous and would not give us their names. They were clear about why, however: they were afraid of the state.

'It's not safe', said one man who had moved to Naypyidaw two years earlier, for work. 'The government has changed, but it's still the same.'

Roads had up to twenty lanes and stretched as far as the eye can see. The rumour was that they had been designed like this to enable aircraft to land on them in the event of anti-government protests. Naypyidaw's huge parliament complex had a moat around it. The city was laid out in large 'zones' with no natural Tahrir Square-style central public place in which to congregate.

An Indian journalist who had visited before us called it 'dictatorship by cartography'.[6] Control seemed hard-wired into the new capital's design. Stories of people forced to move there – or away – had also tarnished Naypyidaw's calculated triumph. The regime 'threatened to impose harsh prison sentences on, or deny pensions to, civil servants who refused to relocate', said a 2006 US diplomatic cable published by WikiLeaks, noting 'reports of several arrests'.[7] The surrounding area was 'depopulated in order to seal the huge compound off from the outside world', added a Thai newspaper. 'Entire villages disappeared from the map, their inhabitants driven off land their families had farmed for centuries.'[8]

Displaced in Myanmar

Our second trip outside of Yangon brought us face-to-face with another controversial mega-development: the Thilawa Special Economic Zone (SEZ), then under construction and part-financed by the Japan International Cooperation Agency (JICA), the Japanese aid agency. It was the first such zone we'd visit.

Over the last fifty years, we'd learn, more than half of the world's countries had carved out pieces of their territories in the form of SEZs like this one.[9] The International Labour Organization (ILO) estimated that more than 66 million people – about the population of the UK – most of them poor, young women, worked in more than 3,500 zones across the globe.[10] These were extraordinary figures. They meant that, if all of the world's SEZ workers lived in one country, it would be one of the world's twenty-five most populous.

In Myanmar, dozens of foreign corporations had already signed up to open factories in the new Thilawa zone, which had been billed as part of the country's 'big bang' economic transformation that could create many new jobs.[11] To entice them, investors were offered special 'incentives' including top-quality infrastructure and utilities that few people in the country had ever experienced. In other zones around the world, exemptions from taxes and national regulations were often on the menu too. What these places seemed to have in common, besides their names, was to effectively insulate capital from wider societies and democracies – while often promising that this would help drive countries' 'development'.

On the zone's border – we met 29-year-old farmer Aye Khin who told us he was among hundreds of people who had lost their land and livelihoods to it.

He welcomed us into the makeshift house he built himself, after his family home was bulldozed to make way for the SEZ. We sat on uneven floorboards and sipped small cups of tea as we listened to his story. He had grown up on land the zone now occupied. His and other families had been evicted and moved to a 'resettlement area'. They were given no choice – it had become prime real estate.

While Khin had managed to build a new place to live, he said it was worse than before and he no longer had space to grow vegetables or keep animals. He asked how they could have ended up impoverished and without hope in the midst of his country's economic transformation. 'All we have ever done is farming. And now we have no land', he told us. 'We have no hope, only despair.'

Other people in that resettlement area told us that the government should pay them compensation for the loss of their land, but that no money had arrived and they weren't clear how much it would be, if it ever did.

'I can't even sleep at night, because of the stress', 56-year-old Daw Win told us. She used to grow fruits and raise livestock before the zone took her land, but now lived 'day to day, worrying about meals. I have a lot of stress'.

We walked through the area, and closer to the SEZ-in-construction met 69-year-old U Mya Hlaing, whose home was still standing. Like others we spoke to, he described being left in the dark about the development and how it would impact him. He thought his home would be bulldozed soon – but he wasn't sure

when, whether he would get any compensation for this, or where he'd end up. He was not opposed to the zone per se, but said that too many were paying too high a price for it. 'The people are suffering'.

These stories we heard near the Thilawa project weren't unique in Myanmar where there had been a historic rush by foreign investors to set up shop – and growing concern over an unequal distribution of the benefits (and costs).

The government appeared to be rushing through new laws and programmes to make the country more 'attractive' to foreign capital.[12] Local activists were bravely trying to organize to protect human rights and document violations, but told us this was very difficult. 'The villagers feel they cannot go against the government', one said, describing a constant state of unease and fear.

Frontier profits

Before we flew to Myanmar, we went to the country's embassy in London to interview its ambassador to the UK. We had wanted to hear from the government itself about how it was ensuring that its efforts to court foreign private investment served the country's wider development needs – and how the protection of its people's human rights was being factored into its economic plans.

We found the embassy on Charles Street in the upmarket Mayfair area of central London, around the corner from luxury shops like Cartier and Prada. It was also a short walk across Hyde Park from the Ecuadorian embassy which Julian Assange had entered in the summer of 2012, claiming diplomatic asylum, and where he'd live until spring 2019, when police entered the building and moved him to Belmarsh prison.

As we arrived at the palatial, five-storey townhouse, we saw Myanmar's ambassador get out of a black Mercedes and walk inside. We followed him, at a polite distance, inside and up stairs to a large sitting room with long sofas. Not long after, we were welcomed into an office where we formally met him – and Keith Win, a founder of the Myanmar-British Business Association (MBBA), who the embassy had arranged to join us.

Shortly after we sat down, and began asking our questions, we apparently made a tactical error: asking too early for responses to concerns over the country's human rights record. The ambassador abruptly got up, left the room and never returned. But our interview didn't end there. We were left alone with Win, who didn't seem to have an official position at the embassy, though he shared clearly rehearsed speaking points about foreign investment in Myanmar.

There were 'endless' opportunities for investors in the country, enthused Win, a smart-sounding businessman, part-Burmese and part-English. A

chartered accountant, he had set up the MBBA in 1995 with the late Peter Godwin, a banker and advisor to the UK government's Department of Trade and Industry. Its website said it aimed to promote 'commercial dialogue' and to provide businesses from both Myanmar and Britain with 'a forum and networking'.[13]

'Myanmar has of course now opened up and gone to a market economy. It's early stages yet, but it's heading in that direction, and it's looking very positive,' Win told us at the embassy. 'The country has huge advantages – it's strategically located between India and China, two of the world's most populous nations.'

'Everyone is extremely busy,' Win continued.

> There's so many laws that have been passed, the reforms in place, government officials have been brought up to scratch, multilateral agencies are bringing in outside training. It all takes time. A lot of British businesses are interested, from education, services, architects, accountants, lawyers, lots of lawyers now looking at opportunities, Rolls Royce, power companies, some of the oil and gas [companies] … Opportunities are endless.

What he described sounded like a rush for newly discovered – or newly accessible – riches. 'Everyone wants to have an influence and get in, in terms of business,' he said. By the end of 2015, annual foreign investment into the country would rise to a record high of $8 billion.[14]

Myanmar – newly 'opening up' to foreign capital – seemed to offer an opportunity to see first-hand how international systems benefiting corporations expand and take root in new places. In other countries we'd visited, from El Salvador to South Africa, this moment had been in the 1990s, when we were children. In others, it had been earlier still, amid the Cold War and anti-colonial movements.

In March 2013, Thein Sein became the first-ever Myanmar President to visit Brussels – where he was warmly welcomed because of ongoing reforms. European Commission chief Jose Manuel Barroso said Myanmar and the EU were 'turning a page in their relationship … More dialogue, more and better aid, more trade and investment'.[15] The next year, the EU began negotiating an investment treaty with the country that it said would support economic growth, but that would also enable European companies to challenge it through the investor-state legal system.[16]

Also in March 2013, Myanmar signed on to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.[17] Under this international agreement, which first opened for signatures in the 1950s, states

pledge to honour decisions from the tribunals that adjudicate investors' claims – both decisions against themselves, and against others. If another country refused to pay awarded damages, the treaty's signatories were supposed to seize their assets if they could (for example if they had money in foreign bank accounts, or planes on the ground at foreign airports).

According to local reports, only six lawmakers had been involved in weighing the pros and cons of signing it.[18] Aung San Suu Kyi was one of its supporters, claiming that it was a 'prerequisite' to attract foreign investment.[19]

Civil society groups including those representing rural communities seemed horrified – more aware than some lawmakers, perhaps, of what was at stake. They warned that integration into the investor-state legal system could undermine Myanmar's fledgling shot at democracy by strengthening rights for foreign investors and imposing new obligations on the state to protect them.

Precisely because Myanmar was in the midst of many reforms, they stressed, it should not give away its 'policy space' to enact change in the public interest by signing treaties that could make it harder, or more expensive, to do so. It also shouldn't do this without genuine democratic debates.[20]

The OECD club of rich countries was among the international institutions closely watching Myanmar's policy reforms. In 2014, it published a review saying that the country's laws were 'often ill-suited to an open economy' and judging it to be the world's second 'most restrictive economy' to foreign investment, after North Korea.[21] Later, this institution would claim that many of its policy recommendations 'were instrumental in a series of important reforms implemented subsequently that have significantly improved the investment climate'; that they'd 'strengthened the investor protection regime' and had assured investors that 'Myanmar is a secure investment destination'.[22]

The idea that Myanmar needed to assure large foreign businesses that it was a 'secure' destination for their profit-making seemed to contradict the gold rush-style imagery painted by Win at the London embassy, among others. The latter lined up with the propaganda of 'risk-taking' capitalism; the former did not.

The OECD's reports about Myanmar also reflected what we had decided to investigate next: how unprecedented amounts of territory were being carved out and handed to private investors, including as SEZs.

Foreign investors had been significantly restricted in what land they can buy or lease in Myanmar, the OECD noted, including by a 1987 law that forbade them from acquiring property rights for more than a year at a time. Reforms had started to change this. Now, foreign investors could partner with or invest in a Myanmar company to acquire land under the same conditions as domestic investors. A 2014 SEZ law allowed foreign investors located inside zones to enter into long leases up to fifty years, extendable for another twenty-five.

Not only in Myanmar were we struck by such lengths of time. Unlike politicians and even voters in democracies, who often focus on the nearer future (the next election, for example), the time scales involved in the systems and strategies that we were investigating were often decades-long.

Winners and losers

From Myanmar, this was the new idea that we brought back to Gavin: we next wanted to look into the secession of territory globally to private investors.

At a London think tank called the International Institute for Environment and Development, we found a lawyer named Lorenzo Cotula who had described how SEZs vary widely in their details, but that they often involve 'excluding or modifying the application of parts of the national law in defined geographic areas'.[23]

These weren't just carve-outs of physical territory, therefore – they were also exceptional spaces where normal rules didn't necessarily apply. These zones also seemed to often offer the – sometimes explicit – promise of a steady supply of cheap and compliant labour for investors' factories. The reality of promised jobs included numerous reports of worker's rights abuses in 'sweatshops'.

The ILO said 'trade unions point to these zones as being islands, outside the scope of traditional industrial relations … that are a symptom of the race to the bottom in the global economy.'[24] A worldwide patchwork of these spaces seemed to mean that, once one workforce began to mobilize and demand better wages or conditions, companies could leave and move on to another.

The World Bank, we found, had produced many reports studying and promoting SEZs.[25] Along with investing in private businesses, its IFC branch and other bank teams gave developing country governments 'advice' on how to make themselves more attractive to private investors, including what laws they should change. Such zones seemed to be a regular item on the menu.

In 2008, the IFC's Facility for Investment Climate Advisory Services described SEZs as

> 'demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory. These differential rules principally deal with investment conditions, international trade and customs, and taxation; whereby the zone is given a business environment more liberal and effective than that of the national territory'.[26]

While governments passed laws, handed over territory and offered 'incentives' to investors setting up in such zones, we learned that a growing number of SEZs were themselves privately owned and operated.[27] Creating them – like challenging states with investor-state claims, and participating in aid and development efforts – had become a business in itself.

Among the varieties of these carve-outs were those focused on specific industries. We had to learn many new acronyms and terms, including export processing zones (EPZs), economic free zones (EFZs) and 'enterprise zones'.

The idea of 'incentivising' investors to set up shop in specific areas had also spread beyond zones established by national governments – cities and regions were also following a similar model, competing with each other for investment. In 2013, Washington state gave Boeing $8.7 billion in tax breaks, until 2040, to build its new jet in the Seattle area. It was at the time the largest (but not the first, or last) state tax subsidy awarded in US history.[28]

Local governments were 'stretching their necks out to compete over foreign direct investments – for every national agency, we have indeed approximately 50 at the local level promoting their economic interests', said an article on the World Economic Forum's website, describing cities as 'epicentres of power and capital'.[29] It noted, for instance, that a World Association of Investment Promotion Agencies (WAIPA) had 170 members – and over one-third were city-level or regional, rather than national, agencies.

A Columbia University study meanwhile estimated that around 8,000 subnational trade or investment promotion agencies existed globally.[30] World Bank research said such local agencies 'tended to be more innovative'.[31]

In Central America, a wave of carve-outs had been in the news. In 2012, the Honduran government proposed a seemingly radical new programme called 'Model Cities', envisaging the creation of new corporate-governed cities. Supported by the conservative US economist Paul Romer, the idea was to experiment with whole cities run by business-friendly regimes, with their own laws, tax systems, judiciaries and police. A Honduran Supreme Court ruled it unconstitutional, but proponents continued to push it.[32] And rather than truly radical, it seemed like another manifestation of trends we began following in Myanmar.

Patrick Neveling, then a researcher at Utrecht University, had studied SEZs for years. They are commonly 'regulated differently than a nation's "normal" territory, to the extent that they may have their own police forces with considerable sovereignty', he said

The idea of carving out territories for private investors had quite deep roots – including historical 'free zones' in Roman antiquity – which promoters of new SEZs sometimes drew on, he continued, as a way to make the model seem 'natural'. 'It's like saying: "Ever since we exited the Stone Age we've done this".'

The first modern zone like this was established in the late 1940s in Puerto Rico, Neveling told us. But because of where it was established – in a de facto US colony, which could make SEZs seem like an imperial imposition – he said this fact wasn't very well-known and a different origin story was often presented instead. Usually, Shannon, Ireland was the place that zone-promoters pointed to, as where the first such space was set up.

This, Neveling said, was a more strategic choice for those who wanted to see this model expand across the world.

> In the 1950s or 60s it was advisable to have Ireland – a country that can portray itself as a victim of English imperialism – come up with this concept, or to make it look like they came up with it … They were not a non-aligned country, but they were a nation that was supposedly outside of the western world – they were the poorhouse of Europe and so forth. This way you could sell this SEZ model to the rest of the world as a kind of postcolonial endeavour.

Neveling described Shannon as key to the development and worldwide expansion of these zones, even if it was largely in terms of propaganda and being the 'right' character for the story proponents wanted to tell. Among those inspired was China – which opened its first SEZ in 1980.[33]

'China's meteoric economic rise over the past three decades is an unprecedented "growth miracle" in human history,' wrote World Bank Economist Douglas Zhang in a 2012 report crediting SEZs with helping to drive the country's 'remarkable development'. These zones led to more money – investment, exports and worker salaries – but also policy change, he said. They 'tested the market economy … and became role models for the rest of the country'.[34]

When we next met Gavin, we told him how the story of SEZs sounded very different depending on who told it, and that we'd decided to leave next for Ireland – and then for China – to learn more about their historic zones.

'Wow,' he said. 'You're on to another huge story.'

He also found it interesting how Neveling described storytelling efforts to make these zones more attractive, and less 'imperial', by claiming Shannon instead of recognising Puerto Rico as their modern birthplace.

'Smoke and mirrors,' he murmured, then sat up straight. 'You need to watch out – and stay focused on what you care most about. How this impacts democracy.'

'It's a big deal if companies can insulate themselves from democracy inside these zones,' he continued. 'It's a bigger deal if these places become "role models" for entire countries to follow. Then it's not just about the carve-outs, it's about everything.'

Chapter 12
Irish invention

Bash on regardless

The Shannon river, named after the Celtic goddess *Sionna,* is Ireland's longest and largest. It winds 360 kilometers through the country, dividing western Ireland from its eastern and southern regions, before emptying into the Atlantic Ocean not far from Limerick, one of Ireland's oldest cities, founded by Vikings in the ninth century.

This river had featured prominently in Irish social, economic and political history. It had been a major trade route for generations. In the seventeenth century, it was also a strategic military front amid expanding colonization of the island by the English. After war came famine, bubonic plague, Catholicism's banning, and the indentured labour of thousands of Irish, some of whom were sent to work in other English colonies.[1]

We landed at Shannon Airport, on a cheap Ryanair flight from London, on the trail of contemporary, corporate empires. In the mid-twentieth century, the river's name was borrowed for this new airport – and then for a new industrial zone which would inspire SEZs around the world, including in China.

The airport was built during the Second World War. It had taken years to drain the boggy land on which it was constructed, on the river's estuary. A 1945 deal between Ireland and the US required all American flights to land or stop here, and gave Irish airlines exclusive rights to serve Boston, Chicago and New York.[2] After the war, commercial airlines used the airport for transatlantic flights to and from North America. It became that era's key 'gateway' to and from Europe; planes couldn't carry enough fuel at that time and had to stop here before, or after, crossing the ocean.[3] Numerous VIPs stopped here as a result, including JFK and Mohammed Ali.

We landed in Shannon late in the evening. We had only brought carry-ons and could have zipped through the building to the taxi rank outside but we took our time instead: this place was key to the investigation we'd just begun.

On a wall we saw a display of historic, black-and-white photos, from after the war, and stopped to examine them. The excitement of a boom time seemed to radiate from the images of dignitaries and celebrities waving from staircases leading them off of planes, or from luxury cars passing through crowds.

All of the airport's stores had closed by the time we arrived, including its duty free shop – the world's very first. Such shops are now as common as security checkpoints in airports globally, with shelves stocked high with items like alcohol, cigarettes and perfumes. But they'd started here, after a local entrepreneur named Brendan O'Regan convinced the Irish government to pass a 1947 Customs Free Airport Act, exempting transit and embarking passengers, goods and aircraft from normal customs procedures.[4]

That wasn't O'Regan's last big innovation, however, as he would also be instrumental in setting up Shannon's zone, earning the tiny town a reputation as far away as Beijing. SEZs like the one we'd seen being built in Myanmar, and like thousands of others around the world, could trace their history back to this place. We had a long succession of interviews planned over the next few days, but our education began immediately.

Our taxi driver from the airport was friendly and curious about what had brought us to his corner of Ireland. When we explained he chuckled 'Bash On Regardless', explaining that this was O'Regan's nickname, based on his initials and his reputation for being a visionary entrepreneur who never gave up. As we drove past a tiny town called Sixmilebridge he pointed out: 'He was born right here'.

Everyone who lived in Shannon long enough seemed to know the story of O'Regan, who died in 2008 at 90 years old, and his innovations.

'He was a great person to motivate other people,' Tom Kelleher, an economist who had worked with O'Regan in the late 1960s and 1970s, told us in his office in nearby Limerick. 'Anything was considered, no matter how outlandish.'

Born in 1917, towards the end of the First World War, as a young man, O'Regan had travelled abroad to study hotel management.[5] Later, he worked in the catering business. But he was best remembered for being a creative and serial entrepreneur – and for transforming this area through his most influential invention: the Shannon Free Zone, established in 1959.

At that time, Shannon's airport – and the town around it – was in trouble. Aircraft technology was advancing, and it would no longer be needed for refuelling on transatlantic flights. Instead, planes that were increasingly able to travel longer distances looked ready to bypass and simply fly over the area.

The town faced economic collapse. In response, the story went, O'Regan argued that Shannon would have to 'pull the airplanes out of the sky'. He appealed to the national government with a dramatic proposal to carve out the 'free zone' territory and offer foreign investors freedom from regulations and taxation if they moved there, created new jobs, and helped to prevent the town's extinction.[6]

In exchange for setting up shop in the zone, foreign investors were given benefits like special tax holidays, tariff reductions and grants for research. Companies that accepted these offers, and moved to the zone, included a subsidiary of the De Beers diamond giant as well as Zimmer, which makes medical products including prosthetics and walking frames.

Next to the airport, the Free Zone only covered about one square mile of land – though its influence internationally had been disproportionate. It would inspire a growing number of other countries, companies and international institutions to get involved in similar zones set up around the world.

The middle of the world

The next morning, we drove to the zone. Walking through the gates, we passed large factories and office buildings but found few people to talk to. Most were busy working inside. Nearby, just outside the zone, we found a small convenience store and a café. We went inside for a coffee and met Mary, then 63-years-old, a talkative retired school principal who was sitting with a friend. She nodded vigorously when we asked her if she knew the story of O'Regan and the Free Zone.

Mary, born in Shannon, said it had been an exciting place to grow up. Because of the airport – which, thanks to the zone and the traffic it brought, did not end up closing – 'we thought we were in the middle of the world!' she exclaimed. 'I remember when President Kennedy came through, oh my God, the whole country stopped. Thousands of people went to the airport, it was amazing.' She chuckled. 'It wasn't quite the same when Ronald Reagan came.'

While the airport brought celebrities to Shannon on stop-overs, the zone brought new waves of international visitors, she explained – from corporate executives to government officials studying the development. 'Even at my own school, we would have children from all over the world because their dads or moms were working or doing research in Shannon,' Mary recalled. 'They might just come for a year, they might come for six months, they might come for five years, but we would have people from all over.'

O'Regan's plan to transform Shannon into a hub for foreign investors led to the development of Ireland's first new town in more than 200 years: Shannon Town, built on reclaimed marshland to house factory workers.

Paul Ryan, an economic consultant who grew up in this town, described it to us as 'built from scratch and very much Milton Keynes-esque: the 1960s approach of, "Let's turn it around, make the back of the house the front," all of these green areas, common areas – it was all very much in that style'.

When we visited, Shannon was still tiny, with a population of just 9,673. Though foreign companies did open up shop in the Free Zone, the town's size never truly boomed, as many workers commuted from nearby cities like Limerick, as well as from villages like Sixmilebridge where O'Regan had been born.

By the early twenty-first century, zones like these had spread worldwide, from Argentina to Cambodia. Many had also been set up with advice from Shannon consultants, like Ryan, who worked for Shannon International Development Consultants (SIDC).[7]

He told us that a selling point of these zones was the possibility to test policies in one area, before rolling them out nationwide: 'Let's say you want to try something, in a developing country, and you want to introduce new ways of doing business … having a zone, having an area that is ring-fenced and set aside from the rest of the economy, where you can try new approaches, is part of what makes it work.'

Ryan believed the town stayed small precisely because of its success in attracting foreign investment. 'Shannon grew to a certain point, and then what worked in the free zone could be applied to the rest of the country,' he said. 'The need to have Shannon, this controlled area, went away.' Though, he added: 'Shannon continued to be an excellent brand – even today it is a big name'.

One of the keys to Shannon's success, he stressed, was the development of Smithstown, a nearby industrial estate and satellite location for mainly Irish businesses who became sub-suppliers to larger businesses in the free zone.

'You have to provide the Smithstown, you have to provide that indigenous industry starting point,' he said. Otherwise, local businesses might not benefit.

This made sense, though it was not what we would see on the ground around many other zones – where ensuring that they benefit local industries and communities did not seem to be high on the agenda.

Symbolic Shannon

Since 2005, the Shannon Free Zone had the same 12.5 per cent corporate tax rate as the rest of Ireland. Now most businesses in the zone were in services, not manufacturing. It had become harder to tell what special perks investors

received for being in the zone, as those offered in the past had since became national policy and spread across the island.

'The nature of the business has changed and over time the fence that was around the zone, and the custom control points, have disappeared', said Kevin Thompstone, president of the Shannon Chamber of Commerce. We met him in an office at a shopping mall in town, where he showed us a miniature model of Shannon, with tiny replica buildings. The fences, and customs controls, he explained, had been 'originally set up because of the 0 per cent tax rate, that then was extended to other parts of the country'. Over time, he told us, 'the fences came down and the benefits of a free trade zone were no longer so relevant because most of the exports were going to the EU, which was duty-free anyway. Really, today the Shannon Free Trade Zone name that you see on the entrance, is there more for marketing'.

At the airport, in the office of Shannon Group plc, an Irish state-owned company in charge of developing the area, we met strategy director Patrick Edmonds who told us a similar story. 'There is now very little differentiation that we can achieve as a general purpose free zone, so that isn't going to cut it.' For such strategists, this posed the question: 'Ireland is already an attractive location for investors for national-level reasons. So how do we actually differentiate Shannon?'

Until 2004, another state-sponsored company called Shannon Development had been responsible for many town and government services that would otherwise have been provided by local authorities. At that point, such functions were transferred to the local county, though the company retained authority over the free zone itself.[8]

When we arrived in Shannon, the airport still operated regular passenger flights to and from cities like London, New York and Warsaw, as well as some seasonal flights to places like Boston and Frankfurt.

The US military had also used Shannon for stopovers during the first Gulf War. After the 11 September 2001 terrorist attacks, it was used to invade Iraq. In 2007, the Irish Human Rights Commission reviewed evidence suggesting that the airport was also being used for the refuelling of CIA 'extraordinary rendition' flights to secret detention and interrogation sites. One example it looked at was the case of Kuwaiti-born German national Khaled El-Masri, who was flown to Afghanistan and tortured for months (with no evidence ever emerging, or charges made, in relation to any terrorist activities). 'The aircraft involved in his abduction,' said the Commission, 'had stopped in Shannon.'[9]

The airport's military business was particularly controversial because Ireland had remained outside of NATO and had a policy of military neutrality. Throughout the 2000s, protestors targeted US military planes at the airport, while the transit of troops generated significant revenues for Shannon, helping to offset losses

from fewer commercial flights. An estimated 2.5 million US troops had passed through here since 2001.[10]

An activist group called Shannonwatch had been campaigning against the use of Shannon airport by the US military on their way to and from wars in the Middle East. On a sunny morning we met Edward Horgan, a long-time activist with this group, who walked with us to the airport's edge. 'That's one right there', he told us, peering through binoculars at a military plane across the runway.

'The bulk of troops would have passed through on chartered civilian aircraft but we do know that those troops are carrying those weapons with them on the planes', Horgan told us, standing by a thin metal fence. Among the planes activists had documented here, he said, was the Lockheed C-130 Hercules military aircraft, which comes in various, including weaponized, versions.

It was striking that, despite its tiny size, Shannon had been touched in many ways by grand currents and global events for generations: from the expansion of international investment and SEZs to US military operations.

We were also struck in Shannon by the role of symbolism. We had heard how its zone was no longer such an exceptional space, given national policy changes, but that maintaining it and its name was useful for 'marketing'. It reminded us of what we had heard before – including in Myanmar where the World Bank's IFC had said that investing in a five-star hotel would send an important 'signal' to foreign investors that they would be comfortable in the country.

As early as the 1960s and 1970s, consultants from Shannon were working on designs for new free zones in Taiwan, Malaysia, Egypt and Sri Lanka. They also organized training courses, attended by representatives from governments around the world, on how to develop these zones.

Jiang Zemin, who later became China's president, visited Shannon as a junior customs official in 1980 and took one of these three-week training courses. At that time, China's leader Deng Xiaoping was starting to experiment with opening up its economy to international capital. The Shenzhen SEZ – China's first – opened the same year that Zemin returned from Shannon.

In 2005, Wen Jiabao, then China's leader, joined a long line of high-level Chinese dignitaries to come and pay their respects to the birthplace of the SEZ model they thank for their country's rise to economic superpower status.

Thompstone, at the Shannon Chamber of Commerce, told us that in the run-up to Wen's visit, the Chinese ambassador had asked their Irish hosts to make time for him to pause for reflection on the 'plateau' – a spot on the town's Tullyglass Hill that overlooked the grey, windswept, industrial zone.

'This was the leader of China, a country with a population of 1.3 billion!' Thompstone exclaimed, pausing at the memory of this incongruous spectacle – the political ruler of this superpower apparently humbled by Shannon, his tiny town in western Ireland. 'To us it was just this nondescript place on the top of a hill, but for the Chinese, they wanted to see where it all started'.

Undoubtedly, Chinese leaders took the SEZ model 'to a much bigger scale than anything that we did', he continued, encouraging us to join him in marvelling at this story. 'The Chinese were able to develop and grow on the back of this model from this little place called Shannon … and there's something in their spirit that says, "You know those people who went before us, where did it start? Where did it come from?"'

Bad jobs

Other 'early SEZs', such as those set up in the Philippines in the 1960s and 1970s, were 'almost like labour camps', Jonathan Bach, a global studies professor at The New School in New York, told us. 'You would bring in the workers, you'd house them in dormitories, you'd sort of use them up and get rid of them and then get new ones. And then if the cost of doing business got too expensive, or too problematic – if there were protests or something – you'd just pack up and move somewhere else.'

Some countries, we learned, gave investors in these zones clear and formal exemptions from national labour laws. In Pakistan, zone workers were forbidden to strike or take other industrial actions. In West Africa, labour inspectors in Togo struggled to even enter these zones. The Nigeria Export Processing Zones Decree promised: 'There shall be no strikes or lockouts for a period of 10 years following the commencement of operations within a zone.'[11]

Even where there weren't such explicit, formal exemptions from labour laws, local authorities seemed to be regularly accused of turning a blind eye to worker's rights violations in these carve-outs.

Protests and rights violations at specific SEZs sometimes made headlines. But journalistic coverage of these spaces seemed very small compared to their scale and the number of people whose lives and livelihoods were affected by them.

Back at the CIJ, we charted the expansion of SEZs around the world. It seemed to happen around the time of the growth of the investor-state legal system, and international aid and development system that we'd investigated.

These zones emerged, at least in their contemporary form, in the same period in the mid-twentieth century as formal colonial regimes were winding down. They had also similarly boomed in the 1990s, at the end of the Cold War.

After the 2008 global financial crisis SEZs proliferated further, with countries from Myanmar to Cuba opening new zones. 'Any country that didn't have [an SEZ] 10 years ago either does now or seems to be planning one', Thomas Farole, an expert on SEZs at the World Bank, boldly told *The Economist* in 2015.[12]

That year, Djibouti, Mozambique and South Sudan had joined the list of countries with plans for new zones. There were even carve-outs within carve-outs: in 2011, the tax haven Cayman Islands opened up a niche 'tech zone' within its territory. Setting up and managing these spaces had fuelled a whole industry of SEZ consultants, and not only from Ireland. In 2017, Chinese officials said that companies from their country had so far 'set up 99 economic and trade cooperation zones abroad'.[13]

Often these developments came with publicly proclaimed goals to boost economic growth and create huge numbers of new jobs for local workers. But the voices of the many millions of workers that powered these spaces – and the many others who lived and worked in their shadows – were seldom heard.

Gavin encouraged us to find and listen to their stories for ourselves. We planned our next trip with this advice in mind: we would go to Shenzhen in China, the site of that country's first and most famous SEZ, inspired by Shannon, Ireland.

The process for getting a visa for China seemed complicated and uncertain and even intimidating, especially for foreign journalists. But, we learned, the zone had its own, different rules. Visitors could get a special five-day SEZ visa on arrival.

We learned that international business travellers used this visa to visit the zone – but so did some tourists visiting theme parks in what was now a growing mega-city as well as discount shopping near the SEZ's famous factories. And we learned that you could get there by train from Hong Kong, which sits east of the Pearl River estuary, surrounded by the South China Sea on all but its north side, neighbouring Shenzhen.

Hong Kong had been the UK's last major colony, transferred to the People's Republic of China in 1997 under a declaration that promised the island a 'high degree of autonomy' under a 'One Country, Two Systems' principle.[14] The deal was that it would be a 'special administrative region' of China for fifty years. After 2047, it could become fully integrated with the mainland, or fully independent. What would happen then was already the subject of huge debate.

We landed at Hong Kong's international airport, one of the world's busiest, buzzing with business travellers and tourists, amid growing tensions. Democracy and independence movements had swelled, led largely by young people who took to the streets to demand the right to directly elect their leaders.

We had taken a gruelling series of flights from London. Stepping outside, we were hit with suffocating humidity. Our bus from the airport weaved through streets of tall, thin blocks of apartments, offices, hotels and other buildings.

The budget hotel we'd booked had an open door onto the street, and a tiny elevator to its upper floors. Our rooms were minuscule with corners abruptly walled off for small showers and toilets. Tight spaces seemed more like the rule than the exception in Hong Kong, increasingly infamous for 'coffin apartments' or 'cage homes' – just large enough for a single bed, elevated in order to cram everything else underneath.

Like London, this was one of the world's international financial capitals *par excellence* – packed with skyscrapers, banks and corporate offices. They shared Hong Kong with more than 7 million people, making it one of the world's most densely populated places – as well as unequal and unaffordable for many.

The tallest building was the International Commerce Centre, with more than 100 stories. Above the offices of international banks and corporations, the five-star Ritz-Carlton Hotel and high-class restaurants occupied more than a dozen floors. On the rooftop was the world's highest swimming pool and bar. It was flashy and new – completed in 2010, after construction was temporarily halted the previous year, when a bamboo platform collapsed and six construction workers plunged to their deaths.[15]

Hong Kong had also once been an outpost of the East India Company – the most famous of the 'chartered companies' that helped to occupy and rule captured territories for colonial powers. The UK took direct control after the company began trading opium grown in India for tea from China, which led to a series of armed conflicts in the nineteenth century called the 'Opium Wars'.[16,17] In the twentieth century, Hong Kong developed one of Asia's largest manufacturing economies. Since the 1990s, it had soared as an international financial hub.

We walked to Kowloon, a bustling part of the city in the north by Victoria Harbour, named after the nineteenth-century British Queen. This area was where Edward Snowden had hidden in 2013, after blowing the whistle on mass surveillance practices by the US National Security Agency. First he had stayed in a luxury hotel, and then among asylum-seekers in cramped apartments at Chungking Mansions – a complex of buildings including shops, budget guesthouses and money changers.[18]

But we had come to Hong Kong primarily to leave it. The next day, we met a young woman who we had hired to be our translator. She told us about the questions she and others were asking, about how to make the promise of democracy real. We were fascinated by the role that young people like her had played in the recent protests, and listened carefully to her stories.

She also listened closely to what we told her: about how China's most famous special economic zone, next door, had been inspired by a project in Ireland, and

how this model had since spread across the world. Even in our home, London, a new ‘enterprise zone’ was being built (by Chinese developers).

Then she took us around a street corner to buy new SIM cards. ‘These are for Shenzhen. Leave yours here, in your hotel,’ she said. ‘Be careful about what you bring tomorrow – your notes? Leave them here too.’

Chapter 13
Rights suspended

Five days in Shenzhen

The next day, we got on a train to Shenzhen. The carriage had standing room only. It was full of couples and families going in the same direction.

At the other end, we waited in a line with well-heeled tourists and besuited business travellers. Looking around us, the room seemed to be covered with surveillance cameras. We somewhat anxiously completed the required paperwork and waited for a Chinese immigration official to paste SEZ visas into our passports, valid for five days and only within the zone.

Our translator had gone into another line and it was hard to find her afterwards, in a large and busy square by Shenzhen's train station. She seemed nervous.

She had been one of the tens of thousands of young people to join Hong Kong's historic 2014 'umbrella movement' pro-democracy protests which lasted seventy-nine days. She had told us about her first taste of tear gas during these protests, and how their violent repression had shocked her; she now knew that 'stepping out of line' could carry serious risks.

Many people in Hong Kong were also on edge when we arrived because of then-ongoing disappearances of several well-known booksellers.[1] It was widely suspected that they were being held somewhere by Chinese security.

The men had all been affiliated with a popular, independent bookstore on the island that sold political books that were banned in China. One of them, Lam Wing-kee, later said that he had been abducted at the border with Shenzhen, right where we were.[2] But we didn't know this then. We were on-edge because of what we were going to do: meet embattled labour activists in what felt like one of the most heavily surveilled places in the world.

In 2010, Shenzhen's thirtieth birthday was celebrated with fireworks. China's President Hu Jintao called it 'a miracle'.[3] The zone's tens of thousands of

factories had produced iPhones, clothes and more for export globally. But it was also now a flashy megacity with a total economic output that rivalled that of entire countries. Overhead, skyscrapers shone at night in flashing, neon colours. We saw familiar logos like KFC, McDonald's and 7-11.

It was again hard not to notice the surveillance cameras everywhere, mounted in plain view on buildings and metal poles. Some rotated. It was easy to feel like we were being followed by someone out of sight. The result was an eerie sensation that big businesses may have been welcomed in, but people were heavily controlled.

In the 2000s, Shenzhen had installed 200,000 closed-circuit cameras in public spaces as a practice run for China's Golden Shield programme, a project to create a vast database that would correlate video feeds with biometric data from cell phones and mandatory, national ID cards. Officially, this system was aimed at fighting crime. But it could also be used to tighten control amid unrest. One local company, Naomi Klein reported in *Rolling Stone*, had already developed software to let 'cameras alert police when an unusual number of people begin to gather at any given location'.[4]

Despite such high levels of surveillance, there had been a growing number of workers' protests in Shenzhen as well as across China. In Hong Kong, we had met activists at an NGO called the China Labour Bulletin that had been diligently documenting these events. They told us that the number of such protests in the country had grown from more than 1,300 in 2014 to over 2,700 the next year – including more than one a day in Shenzhen and neighbouring Guangdong province.

While some of these protests were about working conditions, others we learned had been prompted by the closure of factories – with workers accusing their bosses of cheating them out of full severance and social insurance payments.

Sometimes protesting workers tried to appeal to the state for help. In July 2015, for example, more than 100 workers at a Shenzhen factory supplying the giant fast-fashion brand Uniqlo had travelled to the capital of Guangdong province to petition local authorities. They said their factory had suddenly announced its closure and was leaving without paying debts to workers. But instead of meeting with them, officials called the police to drag them back to the zone.[5]

Sweatshop city

In January 1979, the then 74-year-old Communist Party leader Deng Xiaoping made a landmark trip to the US amid plans to 'open' China up to foreign investors. As the dignitaries stood at the White House for a nineteen-gun salute, Jonathan Steele at *The Guardian* noticed: 'A bright red cola delivery van passed by … It was a fitting symbol of the multi-million dollar bonanza which

American businessmen are looking forward to, thanks to China's new appetite for American trade, technology and credits.'[6]

The next year, in 1980 Deng Xiaoping opened the Shenzhen SEZ. In those early days, it was a small zone carved out of an otherwise rural farming and fishing area. To entice foreign investors into this carve-out, the government gave it the power to set its own tax and other business incentives. But it had something else to offer companies: a labour force of millions of rural migrants.

China's *hukou* system of household registration, introduced in the late 1950s to curb urbanization, severely curtailed these migrants' rights. It tied their access to services, including subsidised healthcare and education, to their place of permanent residency (which was hard to move). Migrant workers could get temporary resident permits, but these linked their status and rights to their employers.

Some factory bosses, we learned from labour rights activists in the area, seemed to have devised additional strategies to further tighten the screws – by requiring workers to pay 'security deposits', for example, or by seizing their identity documents. Many workers also lived in factory housing; in such cases, losing their jobs would also mean losing their homes.

In the 1990s and early 2000s, Shenzhen became almost synonymous with 'sweatshop globalisation', with reports of workers toiling incredibly long hours in unsafe factories to make things like Mickey Mouse books, Teletubbies dolls and Reebok shoes.[7] Wages were not necessarily lower inside the SEZ, but conditions could be dire. Mandatory and unpaid overtime seemed commonplace. Workplace injuries had also scarred many people.

The hukou system had made it harder for workers to fight back. It was partly reformed after the death in custody of a university graduate in the northern Chinese city of Handan, in 2003, who had been arrested for not having his papers in order.[8] But change only went so far. Migrant workers still didn't have equal rights and could still struggle to access services.

Meanwhile, Shenzhen's workers also faced new challenges as the city began to pursue an aggressive agenda of 'upgrading' into tech and finance. The message seemed to be becoming clear for many of them: you're not needed anymore.

The first day of May is celebrated around the world as International Workers' Day, or 'May Day'. Officially, it is one of the most important holidays in China, and Shenzhen is supposed to be a quintessential 'workers city'. But instead of marches and rallies for labour rights, we found that it was a shopping day – focused on consumers, rather than producers. Stores were open, and assistants advertized their wares and sales through megaphones on the crowded streets.

We walked through some of these shopping streets and then took a taxi to spend the day meeting with labour activists and workers who made eyeglasses for export to Europe and the US at a huge factory in the Longgang district. First opened in the late 1980s, this factory was among those closing as the area around it was being 'redeveloped' into new offices and upscale apartments.

One 60-year-old migrant worker from western Guangzhou, who spoke to us on condition of anonymity, said he'd moved to Shenzhen in 1997. Two years later, he was injured at work. 'I was soldering tables and chairs and a spark went into my eye', he recalled. He went to a doctor, and received 'an official certificate, but … the company said, "If you want compensation, you have to resign"'.

We spoke in the small one-room apartment he shared with his son, who also worked at the factory. 'Everybody in this building works there', the father told us, sitting barefoot on the edge of the bed that takes up most of the space.

Now that the factory where they worked was closing, he said that he and many of his co-workers were effectively being forced into retirement. This was Shenzhen 2.0: a financial centre where many migrant workers, having outlived their utility, were now being pushed out of the place they helped to build.

Later that day, we walked through the streets of Longgang with that factory worker's son. 'It's hard to get another job', he told us. 'In this area they are not opening new manufacturing plants. Factories are being replaced by offices.'

Like everywhere else in the city, surveillance cameras were prominently in view on the street, outside the factory, at the intersection, by the bus stop.

'I'm not afraid of the government. I'm fighting for my rights', he stated firmly. But he added that he was likely going to leave Shenzhen himself, and return to western Guangzhou. Life as a migrant worker in this city was becoming increasingly impossible, he explained, and because of this 'many people are leaving'.

In 2015, China was celebrated internationally for having 'lifted out of poverty' almost 750 million people since 1990. 'This is a huge contribution for global poverty alleviation,' said UNICEF.[9] It was the reason why the world met the UN Millennium Development Goal of halving extreme poverty globally.

Other figures also attracted international attention. China's per capita income, for example, increased fivefold between 1990 and 2000, from $200 to $1,000. By 2010, it had reached $5,000 and China moved into the ranks of middle-income countries.[10]

But top-line figures could mask important details. Many of those 'lifted out of poverty' were only barely above the extreme poverty line (which wasn't high – the equivalent of a couple of dollars a day). Inequality rose dramatically.

The workers we met in Shenzhen described how their cost of living had soared in the increasingly flashy metropolis. Whole neighbourhoods where migrant workers lived for decades were being demolished. Many were being left

homeless as well as jobless, as many factories moved to other Asian countries, or to inland China provinces, where they could pay lower wages.

Jonathan Bach at The New School told us that this zone's initial purpose had been to experiment with 'ideas about the market and labour and capital, and using those ideas to influence the rest of the country'. Policies pioneered here, including short-term labour contracts and performance-based wages, had since been rolled out nationwide. In the process, Shenzhen's questions changed.

They were no longer, Bach said, 'How do you get as many workers into Shenzhen as you can?' but rather, 'How do you get the low-skilled workers demanding higher wages out?' He argued: 'That's the whole name of the game in the global economy: to play countries off one another. And the idea of the SEZ was sort of to allow countries to have different jurisdictions, even within their own national jurisdictions.'

Union-free dreams

We next flew into Phnom Penh, the capital of Cambodia. This south-east Asian country had also begun championing SEZs, albeit more recently. It seemed to be on the map, along with neighbouring Vietnam, as a destination for factories leaving Shenzhen. A new Special Economic Zone Act was passed in 2005. But unlike similar legislation in other countries, it didn't seem to grant significant tax breaks to foreign investors setting up shop in new zones. So what was it about?

At first, we learned, the Cambodian government tried to exempt companies in these zones from following national labour law. One person with knowledge of the legislation negotiations said the Ministry of Commerce approached lawyers for 'technical advice' asking things like 'well, how can we make the zones union-free?'

Tola Moeun, the executive director of Centre for Alliance of Labour and Human Rights (CENTRAL), a Cambodian worker's rights group, also told us: 'When investors started to think about the economic zones, the government tried to introduce a new law … for the zone, to make it so that the current labour law would not apply in the zone itself'. The initial idea was 'no freedom of association, no freedom for collective bargaining and so on. No right to strike,' Moeun said, although the government eventually 'stepped back from their plan' amid opposition including from unions.

However they would seem to succeed in making it de facto impossible for workers to organize within SEZs, through other means – including by restricting access to these zones and not letting worker's rights groups inside.

When we arrived in the country, recent years' double-digit economic growth rates had triggered a wave of new construction projects in Phnom Penh including new hotels, restaurants and residential high rises. Real estate prices were

rapidly increasing. The country had also become a hotspot for new industrial developments. Several special economic zones had been opened; they were home to many factories as well as sites of growing protests.

About an hour's drive west of Phnom Penh, we found one of these zones. Cambodia's first: the Phnom Penh Special Economic Zone (PPSEZ). After crawling along traffic-jammed and dusty roads, we arrived at its imposing front gate. Crossing into it was like entering an alternative version of the country, with pristine tarmacked streets lined by factories.

We ended up visiting this zone twice – first, with a public relations firm that represented it. They drove us in an air-conditioned 4x4 with leather seats, in which we were oblivious to the 40 degree heat outside. This zone was not administered by the government but by a private company, and we had an appointment with Hiroshi Uematsu, the Japanese CEO of the zone, in its management building.

We sat in an air-conditioned office while Uematsu outlined PPSEZ's founding goal to attract manufacturers from wealthier countries, and especially Japan, to open factories. 'In 2007, there were very few Japanese factories in Cambodia, though there were many already in Thailand and Vietnam', he set the scene.

Almost a decade later, the PPSEZ had succeeded in drawing in forty-four Japanese firms – as well as thirty-two companies from thirteen other countries. Yamaha had a factory here, and Coca-Cola was building one. Other names were lesser-known, but were suppliers or subsidiaries of big brands like Timberland, Puma, Apple and Old Navy.

Uematsu told us that he was happy with his work in Cambodia. 'I sometimes face [sic] directly with labour union activities', he explained, but 'in the Philippines I have to be very careful, with smoked glass and security'.

Though Cambodia also seemed to have a militant workforce. At the end of 2013, a national strike brought thousands of workers out onto the streets to demand a minimum wage of $160 a month. At the time, it was nearly half that – $85 monthly. The government eventually increased it to $140 to quell the uprising.[11] While we were talking to Uematsu in the PPSEZ, outside of the National Assembly in Phnom Penh hundreds of protesters clashed with police and two received head wounds after parliament passed a new trade union law that would make it even harder for workers to organize independently.[12]

The second time we went to the PPSEZ, two days later, we travelled in a tuk tuk with a translator from the Coalition of Cambodian Apparel Workers' Democratic Union (CAWDU), one of several, embattled independent labour unions in the country. This time, we had arranged to meet with workers who had previously been dismissed from their jobs at one of the zone's garment factories.

Their only crime, these workers told us, was trying to independently organize. 'It is very difficult if [an] employer knows that I worked for, or was related with the union. It means they will find any way or method to dismiss me', Leng Sophen, a then 29-year-old who had worked in packaging in the factory, told us.

We met in a coffee shop outside the zone's gates. The workers seemed nervous at the site of a burly man who sat down at a nearby table.

After he lost this job, Leng said got one in another factory. But, he explained, 'the first contract is usually a short term contract and when they understood that I was related with the union, they dismissed me when the contract expired'.

Officially, firing workers for organizing is illegal in Cambodia. So is hindering organizing efforts. Several of the multinational companies that sourced products from Cambodian SEZs had adopted corporate codes of conduct explicitly supporting the rights of workers to unionize. We contacted six, receiving responses from only two.

Skechers said it complied with Footwear Distributors and Retailers of America guidelines, which affirmed rights to unionize. But the company would not even confirm or deny whether it manufactured goods in Cambodia's Manhattan SEZ, where we would go next. In its response, Levi Strauss denied that it sourced products from SEZs, although a PPSEZ jeans factory listed Dockers, one of the company's subsidiaries, as among its buyers.

But Leng, other workers and labour activists we interviewed came to the same conclusion: it was even harder for people to organize to protect and advance worker's rights within these zones, compared to outside of them.

Cambodia gained independence from France in the early 1950s – however its history would continue to be affected by foreign powers. The Vietnam War, and US bombing, extended into the country in 1965. In 1970, a military coup ousted Cambodia's king and installed a new right-wing pro-US regime. The Khmer Rouge, led by Pol Pot, then took over and led a genocide – infamous for its 'killing fields'.[13]

The government of Hun Sen, Southeast Asia's longest-serving non-royal leader, had been in power since 1985. Most of Cambodia's labour force was represented by 'yellow unions' linked politically to his ruling party. They were criticised for effectively representing the government and employers, rather than workers. Independent labour activists had meanwhile been beaten, detained or imprisoned on dubious charges, and murdered. In January 2004, Chea Vichea, the founder and leader of the Free Trade Union of Workers of the Kingdom of Cambodia and a supporter of the opposition Sam Rainsy Party, was shot and killed while reading a newspaper in the street.[14]

In a 2013 report brazenly entitled 'Where Have All The Poor Gone?' the World Bank celebrated 'tremendous' economic growth in country over the preceding

decade, calling it among 'the best in the world', along with dramatic reductions in the number of people living in extreme poverty, from 52 per cent to 21 per cent, 'surpassing all expectations'.[15]

In passing, this report also acknowledged that 'the majority of these people escaped poverty only slightly: they remain highly vulnerable – even to small shocks – which could quickly bring them back into poverty,' as well as the fact that 'human development, particularly in the areas of health and education, remains an important challenge.' But its overall message seemed to be praise for this 'success story'.[16]

Farming had long been a mainstay of the economy with the country exporting large amounts of rice, rubber, soybeans and other crops. Now, textiles and tourism were its greatest sources of hard currency though pay and conditions for workers seemed dire. In 2015 Cambodia ranked among the worst places in the world for organized labour in the International Trade Union Confederation's Global Rights Index, categorized as a country with 'no guarantee of rights'.[17]

Per capita income remained much lower than neighbouring Vietnam and Laos.[18] Human rights groups and the UN had sounded alarms over restrictions on the media, freedom of expression and political participation.[19] Cambodia additionally had one of the world's highest rates of deforestation, including from large-scale clearings for big construction and agricultural projects and from illegal logging in national parks and wildlife sanctuaries threatening endangered species with extinction.[20] Allegations of 'land grabbing' by companies as well as authorities were multiplying.[21]

Cracks in Cambodia

A main opponent of a higher minimum wage in Cambodia was the GMAC garment manufacturers association. In their Phnom Penh offices, we met secretary general Ken Loo, who told us: 'I don't believe in a minimum wage; I believe in market forces.' 'Hardworking workers,' he continued, 'could be earning a lot more, but … they have to subsidise the lazy bums'.

Some of these so-called lazy bums told us a different story. '$140 a month is not enough for us, but we still do it,' said Sokha Khan, a then 36-year-old garment worker who supported her husband and children on her small wage. Other workers said this amount may cover one frugal person's living expenses, but not a family's.

Women made up 95 per cent of Cambodia's SEZ workers – a statistic which also seemed based on harmful gender stereotypes. In 2015, an Asian Development Bank research paper recounted: 'It is said that females possess the nimble fingers and patience with routine tasks required by the labour-intensive

processes generally occurring in the zones and that they are also less likely than males to strike or disrupt production in other ways'.[22]

In the capital, we also went to the Cambodian offices of the US organisation the Solidarity Centre, part of the American Federation of Labour and Congress of Industrial Organizations (AFL-CIO). It was the afternoon that the much-criticised trade union law was passed by the government. The heads of independent unions from around the country were composing a joint statement in response. There, we met Ou Tepphallin, vice president of the Cambodian Food and Service Workers' Federation. She also told us organizing in SEZs is

> not easy, because the workers stay in the block and there is a barrier between the union representatives, it's not easy to share information [with workers] inside … If we need to coordinate with our members, we need to make an appointment, and if they don't allow us inside, it's not easy for a union leader or activist to go inside to ask or make an appointment about worker issues.

Such obstacles had not stopped workers' protests, however.

We next drove four hours east, across the Mekong River, to the Bavet region on Cambodia's eastern border with Vietnam. This was where the Manhattan SEZ was opened in 2006. It had been an epicentre of militant workers' actions ever since – despite (or because of) the lack of independent unions inside.

Bavet had been among the most bombarded areas under Operation Menu, the secret 1969–1970 campaign in which the US dropped a greater tonnage of bombs on Cambodia than it had on Japan during the whole of the Second World War.[23] Now the area, of lush fields and wide dusty roads, was home to countless casinos as well as three huge SEZs.

Such zones around the world were often established in border towns or near ports, for the convenience of companies' imports and exports. What developed around them was often transient and ad-hoc as a result – with shops and services set up and homes and infrastructure built as quickly as possible. This rushed development and a lack of stability created impersonal atmospheres.

We got through the zone's gates by mentioning the name of its manager, with whom we had been in contact over email. He wasn't there, but it was enough to get us inside, where we found a trail of workers walking silently down a long thoroughfare, some to take their lunch break, others on their way home. All seemed reluctant to speak to us – about their work or unions.

One then 34-year-old garment worker responded to our questions with terse answers. She said she was paid between $140 and $150 a month. When we

asked if she was a member of a union, she said she didn't know anything about this and abruptly ended our conversation. Others did similarly.

We had better luck at a cafe outside the zone's gates, where we met five women who worked at the same factory. None of them said they were members of a union either; rather, they said the option of joining a union was never mentioned to them. Instead, they described a 'shop steward' who performed a mediation role, likely on behalf of the factory. 'If there was a union inside the factory, it would be good because we could demand something', said one woman. 'Normally we just come to work, and then we go back home to take care of our husbands and children, that's all.'

Ath Thorn, president of the Cambodian Labour Confederation (CLC), told us that he was not surprised to hear that some workers were not aware of unions. 'In the Bavet economic zones, a few years back there was [a] general strike, and the shooting of three of the workers,' he explained, 'and from that time if we are comparing, now they are really strict, now they do not allow our union to organise over there and when we saying something in the zone they do not allow it, they just block it.'

But making independent organizing impossible seemed to be having some unintended results. 'From time to time, this zone is very interesting', Thorn continued: 'If they want to increase their salary they mobilise without a leader and join together. If they want to do something now they will strike in the whole zone. But when we are not allowed easy access inside, it's not managed there, so violence happens during every protest.'

Something was bubbling under the surface. The government's emphasis on SEZs seemed to be part of a move to neutralize organized labour. But, amid fewer opportunities to organize, and harsh crackdowns, several people we spoke to predicted a potential explosion of frustration in the not-too-distant future. Warehousing workers within these zones wouldn't work forever.

Chapter 14
Private cities

A CEO for your city

Shenzhen was famously China's first SEZ – but it wasn't Asia's. That was the Kandla Special Economic Zone, in India. It opened in 1965, at the height of the Cold War, offering foreign investors favourable tax and customs regimes, and better infrastructure than they could find outside of it.

Krishan Kumar, the SEZ's development commissioner, told us that one of this zone's initial objectives was to generate exports and foreign exchange for the country. He also said that its early success sparked international interest. 'I have heard even Chinese came here in the 1970s and early 80s. And now obviously the Chinese have taken the lead and gone far beyond us.' Walking around the area, however, the weight of this history was not easily felt. It was not ever-present; the zone was marked only by a decaying sign.

Each of the zone's roads was lined with factories and we stopped to peek inside them where we could. Inside the Sharda Metal Industries factory, which made stainless steel kitchen products for European and US markets, we found a dark, very hot space. Workers sweated visibly as they beat metal into shape and polished it on the floor.

By the early 1990s, India had established seven of these zones across the country. By the end of the 2000s, there were more than 500 in various stages of planning, construction and operation. In 2005, parliament passed a new Special Economic Zone Act to oversee the growing number of SEZs in the country. Parties on both the right and left had pushed them as part of their development strategies.

India was meanwhile pioneering another form of corporate carve-outs too: entirely private cities, including Lavasa – the country's first city built and run entirely by a corporation, outside of Mumbai and almost 900 kilometers south of its Kandla zone. Naturally, this was where we decided to go next.

Lavasa was the $30 billion baby of billionaire industrialist Ajit Gulabchand. It said it would draw on principles of New Urbanism – an urban design movement

promoting 'walkable' communities. But a company would be in charge. Instead of a mayor, a city manager would be appointed by the board of Lavasa Corporation Limited (LCL).

'The company has sweeping rights over nearly all aspects of the life of the residents', warned Persis Taraporevala, a researcher at the Centre for Policy Research think tank in New Delhi in 2013. It will have 'the right to evict, to tax, to determine the use and design of land, to change the governing body and to change the rules while controlling the rights of people to object to these processes'.[1]

Lavasa's city manager, Mukund Rathi, explained that its quasi-totalitarian governance model should not last forever. 'This private corporation is running this city transiently, eventually this will have to be a democratic city', he told us in his office. 'But not until the city has been developed.'

The NewCities international non-profit organisation said Lavasa would have what was 'distinctly lacking in most current Indian cities', including 'an uninterrupted power supply, high-speed internet, e-governance, drinkable tap water, and a walkable city in which the need for cars is minimal'.[2] But it seemed clear that only a minority of people would be able to benefit.

The least expensive apartments were selling for between $17,000 and $36,000 – while the national minimum wage was just over $2 a day.[3] As the development would also need people to work in its schools and shops, for example, there were plans to build some cheaper homes – however its primary residents would be those they'd serve.

Inside the 'All American Diner', 1950s rock'n'roll played through a tinny speaker, the booths were traditional red and the burgers were suitably oversized. But outside our window were the rolling, verdant Sahayadri mountains of western India.

We were 8,000 miles away from where the 'diner' was born in the late nineteenth century, in the US.[4] Around the same time, the British Raj – direct rule by the British Crown, which took over from the East India Company and lasted until 1947 – was establishing itself here. Among its signature institutions were 'hill station' resorts for colonial officials tired of the mad hustle and bustle of Indian cities to escape for breaks.[5]

Since India's independence in 1948, no new hill stations had been established – until Lavasa. When fully built, the development intended to consume 100 square kilometers and have a total population of up to 300,000 in five 'towns' built on the hills. After numerous delays, it said its construction would be done within twenty years, but it still sounded ambitious. Concrete innards and steel girders of unfinished buildings were all around us.

The biggest building in the development by then was the Lavasa International Convention Centre, managed by the hospitality multinational Accor Hotels and meant to be a major draw for international events. It was closed when we were

there, with construction stalled around it and the skeleton of a new apartment building behind it.

A Town and Country Club was also almost empty. There, we met guest relations manager Jenny Peiray. Originally from the state of Manipur in the extreme east of India, she told us that she got around 13,800 rupees ($185) a month for six days of work a week. On her day off, 'I clean up my room, I wash my clothes, and I go to the shop to buy some groceries, and I prepare my lunch and dinner'. In a 'city' with far more weekend visitors than full-time residents, she explained: 'My colleagues are my friends. I don't have a boyfriend … Most people are single'.

Portofino Street – named after the elite resort town on the Italian Riviera – followed the edge of a man-made lake. By the waterfront, we found a grand glass-fronted building housing the Lavasa Information Centre. It was empty of people but full of upbeat corporate-speak. A small mounted TV offered a touch-screen presentation. 'Driven by an obsession with its customers', it said, Lavasa allows them to 'Live, Learn, Work, and Play in harmony with nature'. Behind an unmanned front desk was Lavasa's logo, a clipart-style human transforming into a clipart-style flying bird.

Climbing up to the fourth floor of this building, we found a series of rooms that seemed to have been left to decay, full of boxes and unpainted walls from which electrical fittings hung loose, wires across the floor. In some places, the ceiling had huge damp marks across it. Like much of the development, scratching the surface, it looked hollow underneath. Even the name Lavasa was the invention of a US branding firm – meant to sound somewhat Hindi, poetic and mysterious, but having no meaning.

Outside again, we met Dhaval and Vidhi Shah, who were just leaving to go home after coming to Lavasa for a night. 'In Mumbai it's very hot, but you can relax here,' said Dhaval, an engineer. 'We found out about Lavasa from our friends and relatives. They said the climate is very good, and everything is planned and works. Nothing in India is planned; this city is more planned, it's more efficient and clean.'

'But it doesn't solve the problems of Indian cities,' Vidhi chimed in. 'It's a very expensive city because it's totally planned,' she told us, concluding that Lavasa seemed 'more a holiday place for most people, a weekend place. The facilities are not great … it's just a hill station, so for living over here it's not that suitable.'

Clean air for sale

We next landed in Hanoi, Vietnam – which celebrated its 1000th birthday in 2010 – to explore how private enclaves were also shaping this ancient city. In its busy Old Town we zigzagged through scooters that flooded knotted,

narrow streets. Above hung clothes drying from balconies and messes of electrical wires.

After sunset, lights came on and shops stayed open. People gathered at small cafes, sitting on very low stools. Streets still bore the names of trades that had long clustered there, like Hang Bo (baskets). On corners, elderly women burned fake bank notes in rituals honouring ancestors.

This area's energy was what had put the city on the map for many international tourists. But it was also, we learned, what had made many elites retreat. A growing number of sometimes giant gated communities had been built around Hanoi. Enormous master-planned developments were taking over farms and rice fields. Former collective housing blocks were being replaced by private complexes.

These developments were inelegantly and very clearly separating the wealthy with high walls and 24-hour private security from street hawkers, congestion and pollution. We were struck by how many of them seemed to specifically advertise cleaner air and environments within their walls, promising green oases for the few that could afford to live there.

In northwest Hanoi, we found one of these developments: the multi-billion dollar Ciputra International City complex, which marketed itself as a 'peaceful oasis among the hustle and bustle of Hanoi'.[6] Surrounded by walls, it covered 3 square kilometers of former farmland. Inside, beige villas were set amid lush gardens with monthly rents as high as £3,000. Under construction were a mega-shopping mall and a private hospital. Wide, quiet roads were flanked by parked, luxury cars, palm trees and statues of Greek gods. The only sound of life was that of children playing at a private school.

Built in the early 2000s to house up to 50,000 people, Ciputra was Hanoi's first 'integrated new town development', and the first overseas project of the Ciputra Group, an Indonesian conglomerate that specialises in large-scale property developments. It seemed designed so that residents would rarely need to interact with the wider world.

Outside the development's gates, we met Lam, then 40-years-old, who described how he'd grown up in the area which was once covered by fields of rice and cherry blossoms, kumquat and peach trees. Now he had a small business selling custom-made picture frames out of a shop-front carved out of his house. Only occasionally, he explained, did he get business from Ciputra residents as 'rich people and foreigners will go to big, fancy shopping malls. We are nearby but not many people come here'.

'Before, most people were poor. Now it's different', this man said, about how Hanoi has become more noticeably unequal. 'I have enough to live on, so I don't really think about it much. But some people are so rich, and some are so poor.'

'This side is just ordinary people. Over there, they are rich', added Mien, then 59-years-old, who like Lam ran a small business out of her home selling tea, cigarettes and bottles of water and soda. A handful of small plastic stools were scattered on the pavement in front of her one-room house across the street from Ciputra. Between customers she lounged on a wire bed frame with no mattress. 'Over here we have just enough to live on', she said.

Across the city, work was under way at another enclave: the $8 billion Ecopark, on the eastern edge of Hanoi.[7] It promised 'perfect harmony of humans and nature' with planned green spaces, a purpose-built 'old town' and a golf course. Its first phase, named Palm Springs after the California desert resort city, had just been completed.

Unlike foreign-built Ciputra, this enclave was being developed by a joint venture of Vietnamese property companies. Though they were also working to attract foreign investors, and residents – including the British University Vietnam, which was building a $70 million campus on the site that would award degrees from the University of London.[8]

On a weekday afternoon, we found the development quiet with many more guards on the streets than pedestrians. Beyond the swimming pool, a shop – without any customers – had a floor lamp in the window on sale for the equivalent of £1,200.

For most Vietnamese, Ecopark was far from a realistic housing option – and its development had been marred by repeated protests from local communities. In 2006, construction was temporarily suspended amid such protests.[9] They erupted again in 2009 and in 2012, when police fired teargas into crowds of local villagers. Several protesters were arrested and journalists were also reportedly beaten by the police.[10]

Outside Ecopark's gates, we met villagers who told us that thousands had been displaced by the development – forced to give up their land, with many former farmers now unemployed and in debt as a result of losing their livelihoods.

Phu was one of them. The octogenarian former rice farmer said his family didn't receive enough compensation for the loss of their land to the enclave and that they were now without work. 'People didn't want to sell the land because farmers have to have land, just like factory workers need factories', he told us. 'Now that we've lost the land, what should we do?' At 83-years-old, he said he was too old to change careers. 'There's nothing I can do now.'

Across Vietnam, the percentage of people living in extreme poverty had fallen from nearly 60 to just over 20 per cent in the previous twenty years.[11] Inequality had also soared and the number of super-rich (with assets over $30 million) more than tripled in ten years.[12] Wealth gaps were large nationwide but were particularly noticeable in cities.

Danielle Labbé, at the University of Montreal, estimated there were about thirty-five 'new urban areas' already completed in Hanoi, with as many as 200 more in the pipeline. She told us that this development boom was spurred by two key pieces of legislation: a new land law in 2003, and a decree in 2007 that transferred power to redevelop land to local authorities (previously, such decisions had to be taken by the prime minister). Afterwards, Vietnam also loosened long-standing restrictions on foreign ownership of companies and property in the country – further fuelling these trends.

This development boom had triggered 'protests, everywhere in the country, in the last few years,' Labbé told us. People who were being displaced 'know how much their land is worth,' and how without it they will have 'very few opportunities'.

'They don't get jobs in these projects', she continued, which 'are not planned to generate very much employment besides domestic services, working as maids, which is not what most villagers are hoping for themselves or their children'.

Private futures worldwide

From east Asia, we next travelled to the southeast of the US – to Florida, which had also become something of a laboratory for ambitious, and sometimes surreal, mega-developments. They included Celebration, an unusual town developed by the Walt Disney Company near its theme park resort. For years, Disney had remained the owner of its downtown area and golf course, though these had since been sold off (to private investors).[13] What remained was a bizarre, life-size model of a 'perfect' small American town.

Alongside perfectly paved roads we found leafy trees and buildings painted in soft colours: lavender, cotton white and light yellow. Elevator music played from speakers mounted throughout the town centre. Across a man-made lake was an art-deco style cinema. A large wooden sign, standing amid carefully manicured bushes with yellow flowers, marked the entrance of a lakeside park but specified: 'Celebration residents ID required. Park areas close at dusk'.

One of the busier shops along the town's few central streets was a bakery serving upscale dog treats. At a nearby bar, the back of the menu explained that Celebration's first residents moved in on 18 June 1996, after a 'lottery' the previous year. It now had 8,502 residents with an average household income of $92,000 and a median home cost of $543,800.

After about an hour's drive from Celebration, we found something else: the site of a proposed, brand-new 'fully functioning city' that by 2080 could house as many 500,000 people. It was controversial because of its expected impact on the environment – and the secrecy of the business behind it.

This development's plan included 'a variety of centres and neighbourhoods' with a total 'footprint of around one square mile – equal to [that] of downtown Orlando'.[14] Office blocks, high-rise hotels and apartment buildings were among the structures anticipated, along with new schools, a hospital, parks, a university, new motorways and rail lines.

The location was Deseret Ranch: part of the vast property empire of the Church of Jesus Christ of Latter-day Saints, which had become one of the biggest landowners in Florida. The ranch had already expanded almost six-fold to occupy more than 1,100 square kilometers. It reportedly sold cows to Cargill, and oranges to Tropicana, as well as renting land to hunters and other companies. Though Deseret declined to confirm details of how its land was used.

It said: 'As a private investment affiliate of The Church of Jesus Christ of Latter-day Saints, Deseret Ranch does not release financial information or details about our production and customers.' A church's press office also wouldn't answer our questions.

Ryan Cragun, an associate professor of sociology at the University of Tampa, told us this tight-lipped approach wasn't surprising. He'd previously worked with Reuters to estimate that the Mormon church owned properties worth $35 billion.[15] 'Their finances are a black box', he told us, adding that the church stopped releasing annual financial information to its own members years ago. 'Estimating their total land holdings? Good luck … Nobody knows how much money the church actually has.'

On an overcast weekday afternoon, we joined a tour of the ranch led by Mormon missionaries. Fields, orange trees and grazing animals stretched as far as we could see. We learned that it was home to a jaw-dropping 40,000 cows.

The next day, we met Jenny Welch, then 54-years-old, a registered nurse and environmental activist who lived in the area. 'Until this happened the ranch was a quiet neighbour,' she said. 'When I first moved here in 1980, I thought it was great because it would never be developed. This is such environmentally important land.'

'We fought it and fought it and fought it,' added Karina Veaudry, a landscape architect and member of the Florida Native Plant Society, describing it as a 'David and Goliath' struggle. 'This is not a typical housing development. It is an entire region of the state of Florida – and it is the last remaining wilderness', Veaudry stressed. The plan was on an unprecedented scale, and 'impacts the entire state, ecologically'.

Concerns about Deseret's plan included how much water it would consume, the impact of proposed new roads and the amount of land set aside for conservation. Veaudry said environmental groups had tried to engage with the

plans from the beginning by raising concerns but also suggesting enhanced measures to protect local ecosystems. But, she said, what was ultimately approved was 'pretty much the nail in the coffin' for decades-long efforts to establish a north-south wildlife corridor.

It would put 'literally a city right in the middle of it', she said.

The development wouldn't be built quickly, and more approvals would be needed on specific details. This did not reassure Veaudry, however. 'The main guidelines, the amount of conservation, how wide the buffers have to be, all of that is already approved and set … as I understand it, the damage is done.'

More than 2,000 kilometers north, in Vermont we met local residents fighting another epic city-building plan near the birthplace of the founder of the Mormon church, Joseph Smith. This time, rather than the church there was a Utah businessman behind the project, who had made his money in big energy, selling sophisticated drilling tools to the oil and gas industry.

As soon as we entered the area around South Royalton – a picturesque New England village that had been captured on film and shown off to millions in the opening sequence of the popular TV series Gilmore Girls – we saw the signs of their protests. 'Together we can stop NewVistas': these words seemed to be everywhere: on stickers on telephone poles; posters on bulletin boards; and on large signs planted in the grass.

NewVistas was the name of the businessman's project to build several new master-planned towns in the area, inspired by notes written by Smith in the early nineteenth century.[16] It was also pitched, however, as a futuristic development that would offer a new 'urban model and economic system for the twenty first century'. Detailed plans included specific designs for three-storey 'standard buildings' with apartments, businesses and some farming and manufacturing all located in one place – and internal walls and floors that could be moved by robotic systems, so that people could live in small, easily rearranged spaces. 'Walkway-podway' systems (elevated sidewalks and underground tubes) would transport people and goods. New toilets would monitor users' health.

Each complete 'NewVista' would have as many as one million people living in fifty community units, each with a population of 15,000 to 25,000. They would be 'organised according to a private capitalistic economic structure. The community is not a political entity but a productive enterprise, like a company town', the project's website explained. A corporation would control things like 'land use, transportation, and community environment, which are usually matters of government concern'.[17]

'NewVistas is my own modern interpretation of Joseph Smith's community documents', David Hall, the businessman behind it, told us over the phone from Provo, Utah, acknowledging that his plans had been controversial.

To make them a reality, he had been buying land in rural Vermont – lots of it. By the time we arrived in the area, the NewVistas project was thought to have already purchased as many as 1,500 acres of land – with plans to buy much more.

We knew this because of the careful eye and research of a young librarian, Nicole Antal, who'd uncovered a series of local land purchases and traced them back to Hall and his NewVistas plans. We met her in the evening at a pub where she explained that she'd first found it all hard to believe – particularly the scale. 'This is very big for Vermont … This is not one guy buying a house and trying something new', adding: 'I don't like that this is being imposed on us', she said. Many others would echo this.

'It hit us like a ton of bricks', said another concerned local resident Jane Huppe, then 58-years-old, of Hall's 'top-down' plans which she feared could completely overwhelm existing communities.

'We didn't waste any time when this came up,' added Michael Sacca, sitting on the porch outside the house that he and his wife had built themselves fifteen years earlier. 'We want to protect our future … maintain our lifestyle and our communities.'

Sacca was director of the Alliance for Vermont Communities, a new group formed by residents in opposition to Hall's plans – and any other similar large-scale developments in the future.[18] He told us these plans simply didn't fit with local priorities for how the area should develop, which aimed to 'concentrate development as much as possible in village centres, town centres, leaving rural areas for rural life'.

He also criticised NewVistas' envisaged corporate structure as an 'Orwellian' experiment designed to 'stand on its own as an insulated corporate town'.

The Mormon church actually seemed displeased with Hall's initiative too. In 2016, a spokesman said: 'This is a private venture and is not associated with The Church … However, for a variety of reasons, we are not in favour of the proposal.'[19]

The businessman didn't seem too concerned about such criticisms and opposition. He was going to continue with what he saw as step one: 'consolidate land'. Though his tune would later change, and by 2018 he reportedly said he was "tired of the drama."[20] By 2021 he had abandoned the project, and the area, having re-sold the land he'd acquired.[21]

Carving out London too

Back at home in London, we went to the Royal Docks Enterprise Zone. It was a more than billion dollar project that would redevelop an area along the River Thames. It was to be the city's first 'enterprise zone' – a carve-out not unlike

those we'd seen around the world, from Ireland to China, intended to 'incentivise' private investment.

More than a hundred years earlier, British industry and trade had flourished in this place. The Royal Albert Dock here had been built in 1880 to meet the maritime infrastructure demands of the British Empire amid booming trade with its colonies. But as the UK's naval supremacy slipped into post-imperial decline, the dock and its surroundings fell into disrepair.

In 2013, Chinese developer Advanced Business Park (ABP) acquired sole ownership of the 35-acre estate from the Greater London Authority. It was then joined by China Minsheng Investment Corp, the country's largest private investment firm. 'It will be the international platform and foundation for Chinese companies and capital to enter the European market', Minsheng's president said.[22]

Driving up to the site we saw a flashy glass-walled building, housing the ABP's office, behind fences and signs instructing pedestrians that 'unauthorized persons will be prosecuted'. Inside, we found on display a book of 'The Most Beautiful Chinese Classical Paintings' – and a model of what the redeveloped port would look like. A guard instructed us to put away our cameras.

Both Newham Council, where the zone was located, and what was called the London Enterprise Secretariat had been accused of failing to engage local people in the process of greenlighting this zone. Neither responded to our questions.

This project was also one of a new species of urban space – sometimes called 'POPS' or 'privately-owned public spaces'. These spaces were still open to the public – but were now governed by private owners. This had led to new restrictions on public gatherings and photography, for example.

A fightback had begun, including a campaign called Take Back the City and 'mass trespass' protests. 'The Royal Docks Enterprise Zone is the wrong model for London', the Green Party's Sian Berry told us. 'We're a hugely successful city with many advantages for companies looking to locate here. We shouldn't be giving public land, tax breaks and other generous inducements to large corporations.' She continued: 'I'd like to see the new Mayor renegotiate the deal to ensure fair taxes, a decent amount of social housing and genuinely public space managed by the local authority'.

Incentives offered to investors echoed those in many Asian SEZs, including tax relief, enhanced capital allowances and a convenient 'one stop shop' for regulatory matters. Promotional literature from the Mayor's Office said the area was 'competing for inward investment with locations across London and beyond. Marketing a range of incentives to attract investors and secure occupiers is essential'.

Years later, in 2022 *The Guardian* would report that, despite its grand ambitions, work had ceased at the site and the scheme appeared on the brink

of collapse. The Greater London Authority (GLA) said that a 'final termination notice' had been served on the developer because of delays. Unmesh Desai, a Labour London Assembly member who represents east London, said: 'This was meant to be a jewel in the crown for east London, and it's now a ghost town. It's bitterly disappointing.'[23]

Chapter 15
Finance is king

A fiscal paradise

Mauritius, the tiny island in the middle of the Indian Ocean, was once predicted to be poor forever. Lacking exploitable natural resources like oil or minerals, ahead of its independence from the UK in 1968, the later Nobel prize-winning economist James Meade concluded that its development prospects were essentially nil.[1] Located 1,200 miles off of southern Africa's eastern coast, it was far from other countries and markets, and its economy was essentially dependent on the export of one thing: sugarcane, first introduced by the Dutch East India Company (another of those chartered companies that helped to expand and secure empires) in the seventeenth century, and grown by slaves.

The UN opened an office in the country, in its capital Port Louis, shortly after its independence. At that time, 'economists basically said there's no way Mauritius can survive as an independent nation state', Simon Springett, the UN's resident coordinator on the island, told us about fifty years later. 'Basically, it was trying to figure out how you take a mono-crop economy and diversify it.'

We met him in this office not far from the city's waterfront, where streets with poorly paved roads alternated with other fresh ones lined with the shiny glass of new and well-kept office buildings. There, we found numerous boutique investment firms and financial services businesses catering to the world's elite sitting above restaurants and cafes serving gourmet salads and freshly made smoothies. Their ubiquity reflected what happened next in Mauritius's history – the island's transformation into a tax haven.

Mauritius now had booming tourism and financial service industries. It was known, especially among the international elite, for its white coral beaches, luxury honeymoon packages – and extremely low taxes and high levels of financial secrecy. In 2017 it received 1.3 million tourists – more than its 1.2 million residents.[2] Its offshore financial industry meanwhile had more than 21,000 registered businesses.[3] Though these did not take up a lot of space; many

seemed to exist only on paper, apparently set up to benefit from the country's cut-rate taxes and its 'ask-no-questions' attitude.

Development economists marvelled at Mauritius's statistics. GDP per capita on the island rose from less than $2,000 in the early 1980s to $9,600 in 2016, higher than that of Russia, or Brazil.[4] Life expectancy also increased while child mortality fell, and home ownership stood at an extraordinary almost 90 per cent.[5]

The 'Mauritian miracle', as it was sometimes called, seemed like something of an economic development fairytale. The island had indeed reinvented itself – but it had done so by joining a controversial international web of secretive jurisdictions where corporations and elites can stash their cash and limit their taxes and contribution to the infrastructure of public life, from roads to hospitals. We wanted to know more about how this had happened.

The 1992 Mauritius Offshore Business Activities Act, we learned, created a system of 'global business companies' which let non-Mauritians open businesses quickly and without having to disclose much information to authorities, let alone the public. Around this time, the country also cut its tax rates and signed a series of what are called 'international tax treaties' with other countries. Since then, its offshore industry had boomed.

By 2015, global businesses in Mauritius had assets worth more than $630 billion – fifty times larger than the country's GDP.[6] Much of this offshore industry's initial growth was tied to a single tax treaty signed with India, which exempted Mauritian legal residents investing in India from capital gains tax, among other incentives, and made the island an attractive base for wealthy Indians and Indian corporations.

India finished re-negotiating this treaty with Mauritius in 2016 – following years of debate about its costs – doing away with the capital gains tax exemption. But these changes didn't seem to apply retrospectively to corporate structures already established.[7]

Mauritius was meanwhile increasingly appealing to multinational companies investing in Sub-Saharan Africa, marketing itself as a 'gateway' into the continent, as well as pitching for a greater share of the global wealth management business, including by making it easier for ultra-rich foreigners to buy property and become residents on the island.

By 2017, almost 60 per cent of investments by global business companies registered in Mauritius were destined for Africa, according to the *African Business Review*.[8] Vishnu Lutchmeenaraidoo, then Mauritius's minister of foreign affairs, regional integration and international trade, told a press conference: 'Africa is the name of the game now'.[9]

Mauritius also joined major African trade blocs, including the Common Market for Eastern and Southern Africa (COMESA), and was increasingly marketing itself as an alternative venue to Washington DC for international

arbitration cases between foreign investors and states: effectively, it seemed, offering a full-service shop for international capital.

On the other side of this industry's expansion, Mauritius had been accused by some other African governments and civil society groups of facilitating mass draining of public resources from poorer countries by enabling multinational investors to shift their profits and avoid paying their fair share of tax on the continent. Companies didn't even need to have a real physical presence on the island to reap its benefits: this could also be outsourced to firms whose employees might act as representatives for many companies at a time.

At the centre of this industry was its so-called global business system, whereby offshore companies could be set up with low rates of tax and disclosure. They were used to channel investment into other countries, receive profits and hold assets.

Along with India, Mauritius had signed tax treaties with the governments of more than forty countries, around a third of which were in Africa.[10] They were supposed to prevent companies from being taxed twice. But an international web of these agreements led to what was called 'treaty-shopping' – where companies were structured to take advantage of the best provisions on offer to them, to pay as little as possible.

The island became famous for facilitating 'round-tripping' – where companies take money offshore and then bring it back into a country disguised as 'foreign investment', possibly getting tax breaks twice. From 2000 to 2015, 34 per cent of total investment in India came from Mauritius, much of which was believed to be 'round-tripped'.[11]

Another tactic that companies registered on the island could use to lower their tax bills was called 'transfer pricing' – when a tax haven-based parent company, for example, charges its subsidiary in another country artificially high prices for the supply of goods or services. These transactions might exist only on paper, serving to move money from a higher to a lower or zero tax jurisdiction.[12]

The UN Economic Commission for Africa (UNECA) said that illicit financial flows from Africa could be worth as much as $50 billion a year – double the amount of international aid budgeted for the continent – with serious, negative development impacts including drained foreign exchange reserves and worsening poverty. Tax havens had enabled this, it said, by allowing for the creation of 'disguised corporations, shell companies, anonymous trust accounts, and fake charitable foundations'.[13]

The secrecy afforded to companies in places like Mauritius could enable illegal practices – as well as legal but aggressive tax avoidance on a vast scale, with companies declaring their profits not where their real business was, but where they'd pay less. It seemed to be, in turn, part of the larger story about how countries had been pushed into competing with each other in a 'race to the bottom'.

Even the IMF had recognised this. It said that developing countries' revenue losses from practices like 'profit shifting' might exceed $200 billion a year.[14] The issue had also been acknowledged at the very top of the World Bank. In 2015, its then-president, Jim Kim, warned: 'Some companies use elaborate strategies to not pay taxes in countries in which they work, a form of corruption that hurts the poor. More equitable taxation could easily eclipse official development assistance'.[15]

Island of inequality

Abax, one of the bigger corporate management firms in Mauritius, had been spun off from the global accounting giant PriceWaterhouseCoopers a little over a decade before we arrived at its offices in a shiny suburb of the Port Louis capital. Called Ebene – ebony in French – the area was home to towering glass buildings, built on former sugarcane fields, housing numerous law, accountancy and financial services firms.

Abax partner Nousrath Bhugeloo dismissed criticisms of Mauritius as a tax haven and said that companies expanding in Africa might register on the island because of its political stability and 'ease of doing business', rather than desires to pay less tax. She framed the island's role almost in terms of solidarity with the continent, saying that her firm hoped to increase overall investment flows. 'There is so much need for capital in Africa', she told us. 'The biggest issue is the perception of risk.'

'Mauritius doesn't want to tax these people', she continued. 'We believe if an investor comes in and they take the risk to invest, then when he exits he should benefit from it.' With corporate taxes so low in so many places globally, Bhugeloo added, 'if Mauritius wants to be a hub for Africa, it wouldn't be reasonable to say I will tax you 30 per cent to 40 per cent, because no one would come'. Mauritius also benefits from the money that flows through it 'because it creates employment for us', she added, describing it as the goal of many youngsters to join the offshore financial industry that she worked in.

The number of millionaires based on the island was soaring – there were already 3,800.[16] More were expected to make Mauritius their home, at least part-time. The government's 2017 budget also granted non-citizens five-year tax holidays if they invested $25 million in Mauritius – a measure to attract international 'ultra high net worth' individuals and families to 'manage their wealth' from the island.[17] New businesses had opened to house, feed and entertain such elites.

Airlines, hotels and restaurants were also benefiting from the steady stream of executives coming for board meetings. But the offshore industry employed a surprisingly small fraction of the population. Estimates ranged but suggested it involved between 5,000 and 17,500 people directly or indirectly.[18]

In 2018, the World Bank would warn in a 147-page report that inequality among Mauritians had 'widened substantially' over the last fifteen years, 'threatening the living standards of the poor.'[19] The island's boom had produced 'limited shared prosperity and increased inequality', it would concede, with the gap between incomes of the poorest and the richest 10 per cent of households increasing by almost 40 per cent since 2001. Women especially had not benefited, it'd add, with fewer than two thirds in the labour force at all, and those in the private sector paid on average 30 per cent less than men.[20]

At the World Bank's office in Port Louis, Alex Steinart, its Mauritius country representative, repeated what we heard from people in the industry: that it encourages kids to stay in school and work hard to get office jobs.

It's 'pretty important for the way kids perceive things', he argued, 'where you can sort of see your path, that … there's a good job for me, an office job, on the island.' However, he acknowledged: 'You do hear some concerns, that a lot of these are actually not massively high-skilled jobs … the paperwork around registering a company and then just regular annual reporting, or basic accounting functions associated with that'.

'There's no question that the tax appeal of Mauritius is an important part of the story', he continued. But he cited 'an international trend … clamping down on that. That's an increasingly less sustainable way to go'. It would be better for the country to become 'a conduit for international companies to come into Africa perhaps for the first time, facilitating new activity that wouldn't otherwise exist … then you're in win-win territory', he told us, but 'that's not to say it's going to be an easy transition'.

Meanwhile in an interview with the *Financial Times*, Prime Minister Pravind Jugnauth had recently revived an old narrative, echoing the Nobel prize-winning economist James Meade's dismal 1960s appraisal of the country's prospects 'We are a small island that is limited in many ways. We don't have any natural resources', he said. 'We need to have an edge over others to be attractive', and 'I think the advantage in taxation is important'.[21]

Mauritius mailboxes

This tiny island seemed to bring together several of the themes we had been following so far. It was branching into the business of registering cases through the investor-state legal system; it had effectively given over its territory to international finance, joining the global web of tax havens; and, we'd learned, some companies registered here had help from the development industry too.

Neither the Bank's 2018 report, nor its representative Steinart, had anything to say about investments its International Finance Corporation (IFC) had made

in companies registered on the island. In our research, however, we'd found numerous examples of these deals.

Malawi Mangoes, founded by a pair of British entrepreneurs, was one such company. The IFC said its farms in the Salima district in Malawi – one of Southern Africa's poorest countries – made mango and banana not-from-concentrate puree and fresh fruit for export across Africa, the Middle East and Europe.[22]

In 2014, the IFC approved a $5 million investment to support this business's expansion, saying it would create needed rural jobs, 'injecting money to the local economy through wages and benefits paid' and producing 'a strong demonstration effect for promoting further private sector agricultural investment'.[23]

In the IFC's online database of its investments, its deal with Malawi Mangoes was recorded as project number 34816, an agribusiness project in the specific sector: 'soft drink.'[24] Its location was listed as Malawi. But the company receiving the investment was in Mauritius. While the company's products were made in the southern African country, 'via its wholly-owned Malawian subsidiary', the IFC's money would go to 'Malawi Mangoes (Mauritius) Limited'.

The IFC's disclosure said Malawi Mangoes was majority-owned by BXR Group, a private investment group in Amsterdam, and that the second largest shareholder was 'well-known fund manager and philanthropist' Stewart Newton.[25] Its environmental and social review summary said Malawi Mangoes (Mauritius) Limited was 'a holding company that runs an operation in Malawi'.[26] But no explanation was provided as to why the company was structured like this, or why the entity receiving IFC money would be based in a known tax haven.

In Mauritius, company records listed two businesses: Malawi Mangoes (Mauritius) Limited, incorporated in April 2012; and Malawi Mangoes Management (Mauritius) Limited set up in January 2013. Both were offshore companies within the island's global business system, and registered to the same address: 'St Louis Business Centre, CNR Desroches & St Louis Streets, Port Louis'.

After the World Bank's country representative couldn't answer our questions about the IFC's investment, this is where we went – to learn why it was running its operation in Malawi from this tiny island.

It took us a while to find the building where Malawi Mangoes was registered. But we soon learned that it was just a 'care-of' address, at the offices of a financial services firm called Rogers Capital, which helps clients set up and manage offshore entities, lends them its address and keeps their details under wraps.

The security guard at the relatively modest office block not far from the waterfront was not sure if we were in the right place. The women at the front desk at Rogers Capital also seemed bewildered by our simple questions: 'Can we speak to someone about Malawi Mangoes? Are we at the right address?'

We sat in a small waiting room with flat-screen televisions on the walls and flipped idly through glossy magazines fanned out on a glass coffee table which

had titles like *Savile Row* and *Family Business*. After about 20 minutes, another woman appeared, bearing apologies – she had been out to lunch. At first, she seemed to have mistaken us for Malawi Mangoes' investors. We jumped in to clarify: We're journalists, and wanted to talk to someone from the company, which had received money from a branch of the World Bank.[27] She seemed to know little about the business, or why we might be interested in it. She confirmed that Malawi Mangoes was indeed registered at this address, but would tell us nothing else. There was no one else we could speak to, no one we could interview, not even any pamphlets or brochures we could read.

We found dozens of other IFC investments in companies registered in Mauritius, while operating elsewhere. Most seemed to be focused on sub-Saharan Africa. And in Port Louis, we had more Kafkaesque experiences. On a narrow road with uneven pavement, we found the registered office of CSquared, a broadband internet business operating in countries including Ghana and Uganda, that was first set up in part by Google.[28] It had also received IFC finance. There, the man we spoke to would not even confirm the address of the building we were sitting in.

At other offices of private equity funds the IFC had invested in, we found rooms with wood panelling and maps of tax havens on the walls; a skeleton of a dodo bird behind glass; and sheets of water flowing from a modernist fountain. Young men and women in crisp suits rushed us out of lobbies and meeting rooms.

'Tax evasion is unacceptable in any part of a transaction in which the World Bank Group is involved', the IFC said online.[29] It claimed it 'exercises due diligence to confirm that the structures in which it invests are chosen for legitimate reasons' and that it was 'committed to advancing the international tax transparency agenda'.

This sounded serious, but this language seemed to carefully limit the problem to illegal activity. Tax evasion is the illegal non-payment or underpayment of tax. But multinational companies had many strategies to limit tax bills. Some might be legal but still highly questionable – particularly for the IFC, a public institution, backed by the world's governments and specifically mandated to end poverty and boost 'shared prosperity'.

Some NGOs had argued for years that the IFC shouldn't be investing in companies using tax havens at all, as such structures enable information on money made and taxes paid to be hidden from governments and the public.[30]

Oxfam had accused the World Bank of 'turning a blind eye' to the use of tax havens in IFC investments. It also looked at its disclosures and found that 25 per cent of investments in sub-Saharan Africa one year went to companies incorporated in tax havens including Mauritius (almost 9 per cent), Netherlands or Jersey. It further found that a majority of IFC investees used tax havens, apparently unconnected to their core business, at some point in their structures. It demanded that the World Bank 'prove that its companies are paying their fair

share of tax' and ensure that these businesses aren't taking 'advantage of the weakness of the system to reduce their tax bill'.[31]

At the time, an IFC spokesperson responded by inaccurately characterizing Oxfam's criticisms as focused on illegal tax evasion, stressing that 'there are legitimate uses for offshore structures' (without explaining what these are). He claimed that these structures can even increase 'investment that helps the poor'.[32]

But how could you tell if a company was using offshore structures in legitimate, or illegitimate, ways? It seemed like you had to take corporations' and the IFC's word for it. And in an era of repeated international tax scandals, including the Panama Papers and Paradise Papers revelations, fewer were willing to do this.

In Nigeria, the International Consortium for Investigative Journalists (ICIJ) and other reporters found that a giant power plant project – which also received money from the IFC and the Dutch development bank FMO – had been 'structured to funnel money tax-free through a network of Mauritius offshore companies to trusts and private equity firms'.[33]

Investigative journalists involved in the international Finance Uncovered network meanwhile found that Uganda had missed out on as much as $38 million in tax revenues due to how another energy investment there was structured, so that the company Umeme Holdings (which was also incorporated in Mauritius, and had also received IFC support) was not charged capital gains tax when it sold its stake in the project.[34]

Malawi mangoes

In 2014, the founders and managing directors of Malawi Mangoes, Jonathan Jacobs and Craig Hardie, said the investments they received from the IFC – along with financing from other international development institutions such as the Dutch FMO – had put them 'on the path to … becoming the leading agro-processing company on the African continent'.[35]

Because it was registered in Mauritius, where such information was not disclosed or accessible, we could not find full details about its annual revenues, profits or how much tax it was paying. However, it had been reported locally in Malawi that the company had secured 1,700 hectares of farmland to expand its plantation operations, and that its mango exports so far were already worth more than $1.4 million.[36]

We also managed to construct a timeline. Malawi Mangoes was first incorporated in the UK in 2009, according to records from Britain's Companies House.[37] By 2013, a company appeared on its list of shareholders: Malawi Mangoes (Mauritius) Limited. The UK entity was dissolved in 2015. By then,

Malawi Mangoes had incorporated two companies in Mauritius (in 2012 and 2013), under its global business system.

In other words – the company moved to Mauritius after it had already been established, with its intention from the start pretty clear in its name: to do something with mangoes in Malawi. The idea that it wouldn't have opened operations on the continent without the island 'gateway' into Africa inspiring and encouraging it seemed far-fetched – it was always planning to work there.

The IFC's disclosures meanwhile included hints of possible problems on the ground.[38] In 2014, it said that Malawi Mangoes had more than 600 employees, most of them men (with only eighty-five women), with the lowest-paid workers making just $35 a month. It described employee training as a 'non-financial performance bonus' and said the company also subsidised maize purchases for its workers during periods of the year when they could not afford them.

These disclosures further said that the company had 'access to competitive sources of key inputs, such as labour, land and water' but that there were 'social risks and challenges, especially at the farm level'. It stressed: 'Managing workforce issues and community expectations will be crucial to maintaining the company's social license to operate. The business growth is dependent on a large workforce.'[39]

The company had its own plantations, and also bought fruit from local small-scale farmers through 'outgrower' schemes. In 2017, a report in the Blantyre-based *Maravi Post* claimed that a senior chief in Salima district had 'made shabby land deals' with Malawi Mangoes, allegedly pocketing proceeds and leaving affected families largely uncompensated.[40] Vigils were reportedly organized for eighteen days at Salima District Commission offices to demand the chief's removal.

'This land was sold dubiously to foreigners, without consultations but only telling us that it was [the] government which allocated it,' one demonstrator, Muhamad Chingomanje, was quoted as saying. 'We are not against developmental projects on our land, but … we want to benefit from its proceeds'.[41]

Back at the CIJ, we told Gavin about what we had learned in Mauritius and other countries around the world, about corporations' takeover of territory in the form of Special Economic Zones, 'private cities' and 'fiscal paradises'.

But we'd seen something else in Mauritius, and elsewhere, that we wanted to turn to next. Everywhere we'd looked on the island we'd seen private security guards: at offices, hospitals, construction sites, restaurants. We'd also heard reports, through our growing network of contacts with civil society activists around the world, of private security and mercenaries hired by corporations to grab land or quash dissent around their expanding empires.

Max Weber, the famous German sociologist, had said that control over territory was a fundamental 'characteristic of the state' – and that sovereign states had a monopoly on the 'legitimate' use of force within this territory.[42] What if, we wondered, they don't?

Gavin listened closely as we explained what we'd planned next – another global investigation, into 'corporate armies'. He asked how we'd keep ourselves safe, and then added: 'This is major. Who controls the guns, controls the world.'

PART FOUR

Corporate armies

Chapter 16
Peace without democracy

A world government

In historical archives, we came across many people who had helped to create international systems and strategies to enhance the scale and power of corporate empires. They included the German banker Hermann Abs, who had lobbied elites for a new global 'Capitalist Magna Carta' and justice system to enforce it; Irish entrepreneur Brendan O'Regan who'd pushed his national government to establish a Free Zone enclave that would inspire China; and World Bank presidents who led the creation of a new branch to invest international development money, supposed to help end global poverty, in private companies.

While the big businesses that would benefit from these moves included well-known names – from Lidl, 'Europe's Wal-Mart', to the banana giant Chiquita – few of these systems' pioneers had household names, though they were key to helping us understand this story. This felt especially true for Eugene Staley, an American economist who in the 1950s would join the Stanford Research Institute (SRI) think tank that was a co-organizer, with *TIME* magazine, of the San Francisco conference at which Abs presented his proposal to a room including CEOs and politicians, Nelson Rockefeller and Richard Nixon.

Born in 1906, in the tiny town of Friend, Nebraska, in his twenties Staley had travelled east to Chicago to study at what would become America's premier twentieth-century headquarters for elite academic advocacy of 'free-market' economics. He enrolled at the University of Chicago just a few years ahead of Milton Friedman, one of its best-known graduates. Unlike Friedman – who became a famous advisor to Ronald Reagan and Margaret Thatcher – Staley's seemed like a name that was largely lost to history.

He caught our attention because, as a precocious 29-year-old assistant professor at the University of Chicago, he'd written a sweeping study called *War and the Private Investor*.[1] It read remarkably like a planning document for

much of what we'd seen around the world. It boldly recommended nothing less than a World Government to prevent 'innumerable conflicts between native populations and foreign employers or landowners' that he suggested were otherwise inevitable as 'the "backward" peoples grow stronger'.[2]

In 1935, Staley had both predicted and called for the construction of new global infrastructure to protect and advance corporations' interests worldwide. Among them: a new World Commercial Court and World Investment Bank.

As we studied his proposals we used yellow highlighters to mark key lines to share with each other, as well as with Gavin afterwards. It was futile to resist the 'world-wide sweep of capitalist development', Staley had argued, warning that a lot of blood could be spilled as people rebelled against it. To prevent this, he seemed to propose peace without democracy – with a 'long-range plan for world statesmanship' to wrench power from states and give it to new supranational institutions.[3]

Staley had criticised politicians of his day in Europe and the US for focusing on their own citizens, industries and economic plans (be they in socialist, communist, fascist or 'new deal' styles). His idea seemed not to give more power to the people, or ensure that governments become more responsive. Rather, he proposed new world institutions that must be 'separate from the political ambitions and expediencies, the emotionality, and the fluctuating policies' of states.[4]

A World Commercial Court, Staley had written, could give private, international investors 'direct access' to a new justice system to protect their interests and resolve disputes without violence. A World Investment Bank would channel money to their companies and help them to expand. He knew that these were radical ideas. 'Are these suggestions shocking?' he asked rhetorically. It could take decades to create this new World Government, he conceded – but, he argued: 'work can be started today'.[5]

Staley's *War and the Private Investor* came out two years after his adopted city of Chicago hosted the 1933 World's Fair 'Century of Progress' exposition with the chilling motto: 'Science Finds, Industry Applies, Man Adapts'.[6] It was widely reported on and photographed, providing a colourful window into the economist's context.

The event promised visitors a 'glimpse of a happier not-too-distant future, all driven by innovation in science and technology'.[7] To do this, it seemed to place private companies centre-stage, presenting them as essential for human progress. Coca-Cola showed off a new, automated soda fountain.[8] Giant car companies displayed new models and celebrities including Judy Garland performed.[9]

Chicago at this time, like much of the US, was reeling from widespread unemployment and poverty.[10] The Great Depression threw the legitimacy of Wall Street and banks into question for millions of people who lost their homes, jobs

and savings. Corporations and financial elites faced growing challenges from workers' movements in rich countries, while in colonial empires campaigns for independence grew.

Staley's study foresaw a turning point in world history. As the oppressed 'wake to political consciousness', he wrote, they will try to use 'the power of the state' to change their situations. This included via 'labour codes drawn in the interest of workers' and the 'break-up of large landed estates' in favour of those 'who actually till the soil'.[11]

Will the rights of private investors be enforced, he asked, 'against the wishes' of these people? If they aren't, he predicted a new era of violent conflicts around the world, even large-scale international wars. After all, corporations by that point had already amassed experience 'fomenting revolutions, using private armies'.[12]

Staley recounted corporate histories of aggression, including those of 'sovereign companies' that led the expansion of European empires, governed whole territories and sometimes had their own police forces. Other investors had operated in 'special concessions', he said, with 'government-like authority', imposing their will as law. In Africa, companies were acquiring large tracts of the best land, telling local farmers: 'starve or abandon their accustomed way of life and go to work for the companies'.[13]

He asked: 'Consider the fleets and the economic resources of some of the large fruit companies and the oil companies. Is it better to have them take over their own protection?'[14] Like the Chicago's World Fair, he seemed to present private enterprise and its global expansion as essential to the future of human progress. The young economist thus presented only two options: restrict international investments (though he said this was 'utterly futile', as well as 'poor policy') – or create a 'world governmental authority' to end and prevent conflicts: from riots and strikes to armed rebellions and wars.[15]

We had never heard of Staley before but were struck by how he had described much of what we had been investigating. Along with proposals mirroring the international legal and development systems we'd dug into, his book had also spoken about corporate control over territory, and the use of force. Rather than challenging these trends, he seemed to propose institutionalising them.

Long-range plans

Long before the 'Washington Consensus', before the creation of institutions like the World Bank, and even before the Second World War, elites gathered to lay ambitious international plans to protect private empires and profits from the threats posed by movements for independence and democracy.

Take for example the International Chamber of Commerce, which said it worked for 'the integration of business and economic concerns into policy-making'.[16] It offered companies 'unrivalled access' to governments and it had developed what it called 'privileged links' with other bodies like the World Trade Organization, enabling 'the voice of business' to be heard there.[17] It was founded more than a century ago, in 1919.

In the 1920s, a 'supranational federation of capitalists' met in Vienna and Geneva to plan how to protect themselves from nationalist, socialist and anti-imperialist campaigns after the First World War and amid the Great Depression.[18] They included the famous Austrian economists Ludwig von Mises and Fredrich Hayek (who would later go on to found the Mont Pelerin Society to spearhead academic advocacy of neoliberalism).

Quinn Slobodian, a historian at Wellesley College in Massachusetts, studied this period for his 2018 book *Globalists: The End of Empire and the Birth of Neoliberalism*. Far from wanting to 'liberate' private capital and end regulation and states, he described how the people involved in these discussions sought to rewrite rules on a global scale to support their interests, and 'encase' or insulate them from 'mass demands for social justice'.[19]

In the 1950s, the infamously secretive Bilderberg Conferences joined the infrastructure of elite international networking. Later, British Lord Denis Healey, a veteran member of this club, told *The Guardian* that what it wanted was to see international wars end – but it was 'not wholly unfair' to say they 'were striving for a one-world government' to achieve this.[20] It sounded like a version of Staley's older proposal, for a new era of world peace without democracy.

Also better known than Staley's 1930s proposals for a new World Government was the so-called Powell Memorandum.[21] It was sent in 1971 by Lewis Powell, an American corporate lawyer who was on the boards of eleven companies, to his friend Eugene Sydnor, Jr. at the US Chamber of Commerce, the most powerful pro-business lobbying group in the country. It had been confidential, but it was leaked to journalists after Powell was nominated by then President Nixon to be a US Supreme Court judge.[22] It became known as a key document marking the rise of 'neoliberalism' in the US and the expansion of corporations into what seemed like every aspect of public and political life.

The 'business and the enterprise system are in deep trouble, and the hour is late', Powell had warned. 'Perfectly respectable elements of society', including college students, journalists and some politicians, were treating corporations with near contempt, without 'sympathy for the businessman or his viewpoint'. Corporations, he argued, should respond with counter-attacks and by working together to defend 'the system'. Specific recommendations included advertising to 'support the system' rather than individual companies or products. 'Strength lies in organisation,' he'd argued.

Like Staley, and other people and institutions we came across in our investigations, Powell was thinking long term. To counteract threats to big business, and build a world more amenable to it, he called for 'careful long-range planning and implementation … over an indefinite period of years'.[23]

The lawyer's 1971 memo did seem to have been influential. Numerous new, conservative think tanks such as the Heritage Foundation and the Cato Institute were set up in its wake. Millions of dollars a year were spent to influence public and political debates – while Ronald Reagan in the US, and Margaret Thatcher in the UK, made neoliberalism state policy.

However, not everyone agreed with his analysis that 'the system' was at risk. In the same year Powell sent his memo, US economist Raymond Vernon – who was later credited for providing intellectual weight for mass privatisation campaigns, and dubbed 'the father of globalisation' – published a book called *Sovereignty at Bay.* The expansion of global corporations had already proceeded to such a degree, he argued, that 'concepts such as sovereignty and national economic strength appear curiously drained of meaning'.[24]

Also in the 1970s, the World Economic Forum joined the list of elite networking spaces. A new CEO-led World Business Council for Sustainable Development emerged in the 1990s. Other regional groups formed with names like the European Roundtable of Industrialists and the Transatlantic Business Dialogue. While details of what goes on in these places were hard to come by, their establishment and impacts had not gone unnoticed.

'Elected by and accountable to no one, secretive and highly organized, these shadow sovereigns are destroying the very notion of the common good and making a mockery of democracy,' said Susan George at the Transnational Institute research group in Amsterdam, describing how large corporations were operating 'behind the scenes' to manage 'world-wide public policy'.[25]

The key questions of our time, British writer Hilary Wainwright argued, were 'not just about corporate greed, irresponsible lending, or outsourcing, but also the model of the downsized state, of allowing only corporations to plan'.[26]

As we'd learned, such plans often had very long time-scales – much longer than the terms of elected representatives. The seeds of the strategies we saw in person, in our investigations around the world, were planted long before we were born. They seemed to have been tested on vulnerable people – including amid the Vietnam War, it seemed, when we saw Staley's name pop up again.

A monstrous blueprint

Powell's memo had come to light as labour, consumer, environmental and anti-imperialist movements were gaining ground around the world.

In the early 1970s, some newly independent countries in former colonial empires were – as Staley had predicted decades earlier – changing rules to

support local industries, and in some cases they were also reclaiming land and nationalizing enterprises. In the US, meanwhile, new regulations were being passed and restrictions were being imposed on businesses to protect workers, consumers and the environment. 'Virtually the entire American business community,' wrote political scientist David Vogel about this time, faced 'a series of political setbacks without parallel in the postwar period'.[27]

By then, Staley had long since left the University of Chicago. While he'd become 'a distinguished but relatively obscure academic', in the words of historian David Elliott, he would also be a 'major architect of the Kennedy administration's Vietnam policy'.[28]

Set up by Stanford University trustees, the SRI think tank that Staley joined was created as a 'comprehensive research organisation' with 'the resources of a great university', working for government, military and corporate clients.[29] Several of its directors came from, or would go on to work for, places like General Electric and the DuPont chemical giant.[30]

Until the 1990s, this outfit ran the International Industrial Development Conference (IIDC) – which TIME-LIFE had co-sponsored in 1957, when the German banker Abs spoke about his corporate 'Magna Carta' idea. It was held every four years in San Francisco, attended by CEOs and top politicians. Satellite meetings were also held internationally, from Austria to Indonesia.[31]

At this organisation, Staley's work included advising American policy towards China, and how to go about 'halting the advance of Communism in the rest of the Far East'. In 1961, he led President John F. Kennedy's so-called special financial group to Vietnam to plan 'coordinated financial action which would be in support of counter-guerrilla activities'. His final report called for 'stepped-up economic and social action, especially in rural areas, closely integrated with the military action'.[32]

In addition to offensive actions against North Vietnam, what became known as the 'Staley Report' called for the regrouping of villages and resettling of people into dozens of new 'prosperity zones' and 'strategic hamlets', to focus economic and social activities.[33] It was effectively a 'blueprint', said Australian journalist Wilfred Burchett, 'for a vast military campaign, very soon to be run by the United States itself, to try and herd the whole of South Vietnam's peasantry into 16,000 concentration camps'.[34]

It was a 'monstrous' programme, Burchett said, that 'brought the whole of the peasantry out in armed revolt'. He drew comparisons with concentration camps in British colonial Kenya, but after our investigations into the carving out of territory into special economic zones, and after we'd seen language like 'prosperity' being deployed to promote elite interests globally, Staley's designs in Vietnam also sounded chillingly contemporary to us.

SRI's role in that war, including Staley's work, was controversial on Stanford's campus. Students on a working group, set up specifically to explore options

for the university's relationship with the outfit, noted how it had also become a key 'coordinator of overseas corporate strategy'. In a report, these students described the think tank's leaders as 'expansionists', providing 'strategic leadership and technical manpower for the international expansion of West Coast corporations' while also supporting the development of a 'supranational union of private enterprise'.[35]

Alongside government and military 'counterinsurgency' research projects, SRI worked on the prospects for US private capital overseas, which were also often framed as part of the fight against communism. Newly independent countries, argued one of Staley's colleagues, still needed 'Western guidance and Western concepts of individual freedom'.[36]

Eventually SRI was formally spun off from Stanford to become a separate company, SRI International. It also launched new ventures including long-term 'scenario planning' for big businesses (research envisaging the future in fifteen years or more, for instance, considering social, political and other risks to corporate profits, and how to prepare for or fight them).[37] This kind of planning is still on the menu of services offered by corporate consultants.

Staley was right that multinational businesses would only continue to grow. By 1970, there were 7,000 corporations operating across borders.[38] By 2011, there were more than 100,000 multinational enterprises with almost 900,000 foreign affiliates.[39] No country has jurisdiction over all of their activities. Their resources had boomed – the revenues of the world's largest companies exceeded the GDPs of most states[40] – as had their political power through new world institutions, as we had learned and as Staley had suggested.

But the global advance of multinational companies had largely failed to deliver on promises of prosperity – and peace – for all. It also seemed clear to us that new supranational systems and strategies to secure and support private investments had not quashed people's demands for democracy and social justice.

While Staley had said a new world government could stem conflicts, some corporations were still being accused of using force to get what they wanted. Others seemed to have made violence, or the threat of it, their core business. This was what we'd decided to investigate next: corporate control over the use of force, globally.

Dictatorship of flies

One of the businesses that Staley's *War and the Private Investor* treatise had looked at was the United Fruit Company, whose history stretched back to the nineteenth century. Now this corporation was known as Chiquita Brands International. It had multi-billion dollar annual revenues, operations in dozens

of countries and you could see its bright blue and yellow logo stickered onto bananas sold around the world.

In the 1930s, Staley had described how the United Fruit Company had seemed similar to a colonial 'chartered company' in that it had undertaken 'government-like functions' including the construction of railways and 'whole cities … performing the necessary work of sanitation, laying out streets, building private and public buildings, public utilities, churches, schools, hotels, restaurants, and hospitals'. It had 'created and deposed governments, ruled vast plantations with a free hand, and in some cases exercised almost sovereign powers over large portions of Central America'.[41]

But unlike chartered companies, it was not acting at the behest of a colonial government to expand their empire. It was focused on its own expansion and, Staley said, only did 'developmental work as an incidental but necessary step in a profit-making business'.[42]

By the time Staley's text came out, this corporation's activities had become notoriously intertwined with violence. In 1928, workers went on strike in protest against poor pay and working conditions at its plantations in Colombia.[43] The government then sent soldiers who fired on crowds in what became known as the 'Masacre de las Bananeras' (Banana massacre). Gabriel García Márquez, born that year, would later allude to this event in *One Hundred Years of Solitude*, describing a military attack ending in the deaths of plantation workers in a fictional town.[44]

In 1950, the company would appear in the works of another famous Latin American author: Pablo Neruda, from Chile. A poem he wrote that year was entitled 'United Fruit Co' and named it alongside the Coca-Cola Company and other American corporations expanding in the region. It used biblical language to satirize these expansions that 'rebaptized these countries Banana Republics' and 'abolished free will, gave out imperial crowns, encouraged envy, attracted the dictatorship of flies'. It described how what would become Chiquita took over 'the most juicy piece' of territory in 'my world, the delicate waist of America'.[45]

While Neruda's poem made the rounds and encouraged people's movements resisting corporations' expansions, the United Fruit Company added to its track record of violence. It lobbied the US to take action against Guatemala's democratically elected, social democratic president Jacobo Arbenz.[46] A CIA-backed coup d'état installed military dictator Carlos Castillo Armas.[47] A civil war ensued, and what the UN termed a genocide against indigenous Maya people.[48]

In Colombia, the company had meanwhile maintained and expanded massive operations throughout that country's civil war – which began in the 1960s and lasted for more than forty years – and it had again been implicated in violence

there. The company eventually admitted to at least 100 payments between 1997 and 2004, for a total of $1.7 million, to the United Self-Defence Forces of Colombia (AUC) ultra-right-wing paramilitary group, whose attacks on peasants and dissidents over many years had become well-known.[49]

More recently, Chiquita had again been implicated in attacks against peasants opposing their plantations' expansion in Colombia. There was a live legal case against it from some of these people, supported by human rights lawyers.

We wanted to know more about all of this – and how this company could keep popping up, from Staley's study in the 1930s to our research today, in stories of violence. Staley had named it as an example of a company whose expansion was inevitable, futile to resist and likely to be violent unless new global institutions were set up to manage and prevent conflicts with unruly populations. Much of the infrastructure he'd called for may have come into being – but it seemed the peace he said would come with it, had not.

We reached out to human rights groups and other journalists in Colombia, and started to plan a trip there. When we had a draft itinerary, we knocked on Gavin's door.

'You're off again?' he grinned as we sat down with our notes and a map of the country, on which we'd circled locations that came up in our research. Places where attacks had happened, or where we could meet people to learn more.

Our first stop would be Medellín, Colombia's second-largest city which had been established and developed under the Spanish empire and named after a small town in Spain. It had also been a key commercial hub since the nineteenth century when it began exporting gold and then coffee. In the twentieth century, it grew with industrialization and new transport links to other regions, although it also became infamous for crime and Pablo Escobar's 'Medellín Cartel'.

The first person we'd meet would be Nick MacWilliam, a journalist who covered Latin America, with whom we planned to work. Then, together, we'd meet plaintiffs in a class action lawsuit filed against Chiquita in the US and supported by lawyers at the NGO EarthRights International.

These people, anonymous in the suit, were understandably nervous about speaking out. They accused the company of hiring paramilitaries who killed their family members. They agreed to speak with us – but only in person.

The banana giant wasn't the only company expanding in Colombia and leaving allegations of violence in its wake, and we'd look into other cases too. In particular, those relating to mining activities in that country, as well as expanding palm oil plantations in Honduras in Central America. In each place, we had interviews lined up with peasant leaders and others with first-hand experience of these conflicts.

'Can I come?' Gavin chuckled. It wasn't a real question – he had a stack of papers on his desk reflecting the work he had to do to keep the CIJ going; he was always fundraising and meeting people to start new projects and partnerships. But it meant he thought we were still on the right track.

'Be careful,' he said more seriously. 'It's good that you're going – there's no other way to speak to some of these people. But it sounds like they're cautious for good reasons, and you should be too!'

'Plan every detail, every step,' he told us. 'Get there early, before your interviews start, and scope things out. Locations. Exits. Back-ups. Line it all up.'

Back in our windowless room down the hall, we made more detailed notes for our trip and booked flights. A few weeks later, we were in the air.

Chapter 17
Profits versus peasants

Nightmares in Colombia

Anabel (not her real name) was at first elusive. It took days of back-and-forth messages, reassuring her that we would keep her identity confidential, to finally receive the address of a meeting place where she'd feel safe.

She was understandably skittish. She was one of several Afro-Colombians who said they had survived violence by paramilitaries hired by Chiquita to help protect and expand its plantations. She wanted justice for what she had endured – but was afraid that by speaking out she could be risking her life.

Eventually, she sent us the address near the trendy El Poblado district of downtown Medellín – which was seen as one of the safest and most affluent parts of the city, and popular with foreign tourists and expats. We memorized the address and then deleted the message. We didn't tell anyone where we were going, or speak to each other about it in public. It was safer that way.

When we met, Anabel seemed to have little interest in light chit-chat. She gave one-word answers to questions about how she was doing, how her week had been. After gathering the courage to meet us, she seemed to want to dive right into her story – and, perhaps, leave as quickly as possible.

She began in 1997, when she was a 10-year-old child living with her parents in the small city of Apartadó in the mountainous Antioquia region not far from the border with Panama. Colombia's civil war, which had begun more than thirty years before her birth, featured heavily in her memories of growing up. 'There were a lot of massacres, too many deaths', she recalled. 'You could see the manner in which they left bodies as well. Often dismembered. It was a horrible war.'

Across Colombia there were stories like this of violence, often perpetrated by right-wing paramilitary groups that developed during the civil war as private militias to defend landed interests and proliferated in the 1970s.

Decades later, land seen as valuable was still being forcibly seized across the country by paramilitaries who then sold it to rich individuals or corporations. Resistance, according to rights groups, was often met with violence.

Anabel knew this history first-hand. Her family, she said, had long received threats from such paramilitaries who wanted the land used for her stepfather's banana farm. In 1997, he gave in, aware of the dangers of saying no. He tried to avoid violence by selling the paramilitaries his land.

But the sale did not go as planned. He brought his wife and Anabel with him to meet the buyer – who was on time, but unexpectedly said he had to go urgently to another town, and ushered them all into a waiting taxi with him.

Soon after the taxi started driving it stopped, the buyer got out and another man came in and pulled out a gun. Other men on motorbikes accompanied the taxi to the end of a dirt road, where the adults were ordered to get out.

The men then beat and then shot her stepfather, killing him. Her mother tried to run; she was shot and killed, too. The men took the papers they needed to own the land, without paying for it, and had the taxi bring Anabel into town.

In the aftermath of these murders, Anabel went to the police where she reported them. Later, she learned that the taxi driver, who she believed was involved, had been identified. But, as far as she knew, no case against him or the murderers was ever brought, and the land was never returned to her.

'As I didn't have parents, it was very hard to confront the world', she told us. 'People made fun of me, I had to see psychologists.' Years after their deaths, she said she struggled to trust people and that 'I still have nightmares. I cannot say that the issue doesn't dominate my thoughts. You cannot imagine the effort I'm making to not cry now. It's extremely hard'.

Later, we met another woman with a similarly horrific story. Like Anabel, she said that her family members were also killed by paramilitaries and that the police did nothing to help her. In Bogota, another plaintiff in the suit against Chiquita, Fernando, said he believed that the company had started working with paramilitaries in the early 1990s, 'to confront banana workers'.

At that time, the governor of the Antioquia region of Urabá was Alvaro Uribe Velez (who later became president), who Fernando told us 'was a participant and collaborator with these armed groups … They decided that the unionists were guerrillas, but we were workers, we were fighting, and defending worker rights. Uribe was one of the people who formed the convivir groups in Urabá from paramilitaries.'

'They killed people with chainsaws, with machetes, they set them alight with gasoline', Fernando added, recalling the violence he'd lived through. 'They raped women and girls. They burnt houses.' Stories like this were painful to listen to but were not exceptional. Rather, they seemed to haunt much of Colombian society.

The toll of the war had been vast for many peasant, poor, indigenous and Black communities. But now there seemed to be hope for some justice on the horizon, because of the courage of people like Anabel and Fernando who had agreed to testify, anonymously, against Chiquita in the US.

Challenging impunity

Chiquita had developed significant operations in Urabá, a northwest sub-region which had become Colombia's top banana-growing area. This is where Anabel had lived with her mother and stepfather before they were killed.

Several AUC paramilitary commanders were now in US prisons, including Salvatore Mancuso, extradited and then imprisoned on drug trafficking charges in 2015.[1] A diplomatic cable sent from the US embassy in Bogotá to Washington DC years before this, and published by WikiLeaks, said he allegedly had ties to politicians, retired generals and businesses, and that he'd named Chiquita as among the companies that had regularly paid paramilitaries.[2]

Another AUC commander extradited and imprisoned in the US was Hebert Veloza – alias 'H.H'.[3] He was known as the leader of the group's Bloque Bananero in Urabá that had been implicated in many murders. Anabel said she believed he was one of the people behind the deaths of her mother and stepfather – but he was also in jail for drug trafficking charges, not murder.

Living free in the US, meanwhile, was another man with questions to answer: John Ordman. He was a high-ranking executive at Chiquita responsible for much of the company's Colombia operations and, according to a 2016 court filing by the NGO EarthRights, 'involved in the approval of "sensitive" payments to the *convivirs*' – 'self-defence' groups created to protect private estates.

Human rights groups said convivirs were essentially legalized paramilitaries, and that they had committed massacres and other abuses. The court filing continued: '[Ordman] testified that he had extensive conversations with Chiquita personnel in Colombia about the different violent groups Chiquita was paying'.

Internal Chiquita communications from 2000 noted the connection between the convivirs and the AUC, revealing that Chiquita chose to 'continue making the payments [because they] can't get the same level of support from the military'. At the time paramilitaries were regularly killing and dismembering people all over Colombia. But Chiquita claimed it didn't know exactly what its money would be used for.

Under then-President Uribe, in 2003 the AUC initiated a demobilization process which saw tens of thousands of men reintegrate into Colombian society. Some regrouped in armed gangs and continued to coordinate terror networks.[4]

Several years later, Colombia's Supreme Court unearthed the 'Parapolitics scandal' which placed 139 elected politicians under investigation for their alleged links to paramilitary organizations, including payments. Former Senator Mario Uribe Escobar – the president's cousin – was among those arrested and sent to prison.[5]

Former AUC commanders however received little to no punishment for their crimes. Then, they started admitting what they'd done – and with whom. In 2008, Uribe had fourteen senior paramilitary commanders, including Mancuso and others later named in the Chiquita lawsuit, extradited to the US where they were now in prison on drugs charges.[6] Many suspected that Uribe did this for his own protection, as several commanders claimed to have collaborated with him.

No one at Chiquita went to prison, and no relatives of the victims of violence received compensation. Then, in 2007, the NGO EarthRights filed the US federal class-action lawsuit against the company on behalf of Colombian families whose loved ones were killed.[7] Portions of the case were brought under the Alien Tort Statute, which allows human rights claims from victims of US multinational companies' activities abroad to be filed within the US court system.

This potentially progressive piece of legislation often failed the people it was meant to serve, including in Colombia. In recent decades, various suits against US corporations had been dismissed by courts which said they still fell outside their jurisdiction.[8] Chiquita had similarly filed a motion to have the EarthRights case dismissed, arguing that there were insufficient US ties to be heard in US courts.[9]

Terry Collingsworth, a Washington DC-based lawyer who'd worked on many cases under the Alien Tort Statute, filed some of the earlier motions on behalf of Colombian communities in the Chiquita case. He told us cases against such companies must be heard – but that this law had been difficult to apply in practice.

A 2013 decision in a separate case, against an oil company, seemed to have set a conservative precedent. That company said that despite the fact that it had US operations, the allegations against it were from foreign plaintiffs about its foreign business and all relevant decisions had been made abroad. In a 5–4 ruling, right-wing Supreme Court judges agreed with the company that the law only applied if allegations 'touch and concern the territory of the United States'.[10]

This ruling significantly limited the ability of the Alien Tort Statute to help people like Anabel in Colombia secure justice, Collingsworth said. The law should be 'redefined', he argued, but he thought that US lawmakers were 'very unlikely to champion a law that will be strongly opposed by the major business organisations, like the US Chamber of Commerce and the US Council for International Business'.

Colombia's domestic system also held little hope for victims of violence. Fifty-seven companies, including Chiquita, had been charged with supporting the AUC[11] – but local lawyers we spoke to suspected that the government wouldn't prosecute or otherwise try to hold them accountable.

Amid these obstacles came a significant development in late 2016 – when, after nine years of litigation, a federal judge ruled that the case supported by the NGO EarthRights could continue in American courts.[12] The claims against Chiquita (and certain executives) would move forward in the US, despite efforts to prevent this.

Though by 2021, *Doe v. Chiquita Brands International* would still be in the courts, and its plaintiffs would still be waiting to see if they would ever get justice.

More hired guns

In 2016, the Colombian government and the country's oldest left-wing guerrilla insurgency, the Revolutionary Armed Forces of Colombia (FARC), negotiated a historic peace deal. Under it, thousands of guerrillas would hand over their weapons and live in demobilization zones before integrating into society.[13]

Opponents of this peace deal – chiefly the conservative party of former President Uribe – had argued that it would allow people who had committed human rights violations to go free. And while Uribe liked to focus on the crimes of the FARC, right-wing paramilitaries had left a violent legacy of their own – one which seemed inextricably tied to US multinational companies like Chiquita.

In the fanfare around the peace deal, the role of multinational corporations in the violence was largely ignored by commentators and media reports. For others, it was hard to forget. 'Some multinationals have directly collaborated with illegal paramilitary groups, but many others have turned a blind eye to human rights abuses', said Grace Livingstone, the author of *Inside Colombia: Drugs, Democracy and War*.

She told us:

> Multinational companies have benefited as paramilitaries have violently evicted thousands of people from their land, clearing the way for large-scale mining, oil or agro-industrial projects. These companies are knowingly operating in a country where death squads suppress dissent by targeting community activists and trade unionists … There is almost total impunity for the security forces and their paramilitary allies who target land activists and community leaders and those who have protested against large-scale mining, oil and agro-industrial projects.

Gimena Sánchez, an analyst at an NGO called the Washington Office on Latin America added: 'The impunity rate is over 95 per cent for killings of trade unionists and for the others probably close to that. Colombian authorities, when pressured, may begin investigations but very few of the perpetrators are brought to justice'.

Chiquita wasn't the only company that paid paramilitaries in Colombia; the Dole and Del Monte fruit companies had also reportedly hired them.[14] Such payments had enabled paramilitaries to expand – potentially prolonging the war, as well as protecting and helping to expand corporate assets and operations.

The most militant peoples' struggles against corporations in Colombia, when we arrived in the country, seemed to be around mining. A Dutch NGO had recently published a report on the collusion of mining multinationals Drummond and Glencore with paramilitaries over ten years from the mid-1990s.[15]

At the Medellín office of a *campesino* (peasant) organisation called the Humanitarian Action Corporation for Coexistence and Peace in Northeast Antioqueño (Cahucopana), we met then 26-year-old Yoladis Cerpa from one of Colombia's more violent areas. 'My family lives in El Bagre but because of my work in social organisations I can't go there', she told us. 'Two days ago they killed my brother. In fact, my mother is calling me right now, they're in the cemetery as we speak.'

As we spoke, Cerpa showed us her phone. WhatsApp messages with pictures of her brother's coffin popped up as relatives sent her updates from the funeral she couldn't attend. She described widespread fear that ran through the area because of paramilitary violence. 'We are threatened daily by email, by telephone, by any means. The problem now is they killed one of the social leaders, and there's displacement in the villages. They dismembered one of them totally, the others were forced to leave. They threatened them. There are deaths every day.'

Cerpa believed that organizers were being targeted due to the social work they do. 'They are defending the campesinos, defending human rights and making it harder for the multinationals to enter campesino regions', she told us.

El Bagre had large deposits of gold and this seemed to make its human rights situation worse. Cerpa described it as a 'very rich region for mining for gold' with land-hungry companies on one side and campesinos on the other, 'fighting to defend their rights'.

'Another multinational tried to enter the region but the campesinos, we didn't allow it. It was amazing,' she said. But there had been many more casualties too; recently the body of William Castillo – who had worked for the Association of Agroecological and Mining Fraternities of Guamocó (Aheramigua), a human rights organisation of farmers and artisanal miners – was found.

'They shot him,' Cerpa told us, after a meeting he had held with local community leaders in which he 'was training them about their rights'.

She said it seemed 'impossible' to hold multinational corporations to account. But she thought that it was clear why people were being targeted – for opposing these businesses' interests. 'We are living the conflict,' she told us, 'and the threats we receive from paramilitaries are always for this, that they're going to kill us because we're working with *campesinos*, because we're training them to defend their land, for these kinds of things'.

A militia in Honduras

North of Colombia, Honduras in Central America was known as one of the deadliest countries for environmental and human rights defenders.[16] The situation had even come to the attention of the International Criminal Court which warned in 2015 that 'criminal organisations and international drug cartels are deeply involved in local businesses … and seem to be involved in most of the alleged crimes in the Bajo Aguán [valley], including unlawful occupation of land and robbery of African palm fruits, in order to retain control of the region and to continue to operate in total impunity.'[17]

The next year, a prominent activist in the fertile Bajo Aguán – Jose Angel Flores, head of the Unified Campesinos Movement of the Aguan Valley, or MUCA – was killed while under police protection.[18] Numerous such incidents had involved paramilitaries or private security forces, which reportedly outnumbered police five to one.[19]

The NGO EarthRights was also involved in a case seeking justice for people affected by this violence – and in the process, their work was bringing new details to light about how some giant corporations had effectively built their own private armies.

The company at the centre of that case was Dinant, founded by the late businessman Miguel Facussé who was one of the most powerful men in the country until his death in 2015, at 90-years-old. For decades from the 1980s, he had been vice-president of the Asociación para el Progreso de Honduras (APROH), a right-wing grouping of business interests and members of the armed forces. A widely publicized memo he wrote in the 1980s had argued that the best way forward for the poor country was to 'sell Honduras to the foreign investor'.[20]

Dinant – which produced food and cleaning supplies, including for export throughout the region and beyond – owned more than 22,000 acres of palm oil plantations in the Bajo Aguan valley.[21] It had been repeatedly marred by allegations of human rights abuses against local people.

In 2012, Facussé was described by the Reporters without Borders NGO as having 'a private militia that can count on support from the police and army

to impose his will'.[22] Accusations that this militia had killed unruly agricultural workers who had occupied company land led to the withdrawal in 2011 of a $20m loan from a German government agency, and to the Électricité de France power company cancelling the purchase of carbon credits from Dinant.[23]

But justice for people who said they survived such violence seemed out of reach. Dinant denied any involvement – claiming that it operated in a violent context, but had nothing to do with this. Behind it were powerful backers, including part of the international development system we'd investigated.

The World Bank's long history in the Bajo Aguán valley included support for a controversial land modernization programme in the 1990s that had been criticised for paving the way for large-scale plantations at the expense of small-scale farmers.[24] In 2009, the bank's IFC branch agreed to give Dinant, which was expanding in the region, $15 million in loans[25]; further support came in the shape of 'indirect investments', through the Ficohsa bank in Honduras and an IFC subsidiary, the Asset Management Corporation (AMC).[26]

The EarthRights-supported class action lawsuit that was shining a light on how corporations used violence to protect and expand their operations was not filed against Dinant – instead, it named as defendants the IFC and its subsidiary. The NGO's lawyers told us that the case followed years of protests and failed attempts by Honduran farmers to seek justice in their own country's courts.

This lawsuit was the second filed against the IFC in US courts – following one launched in 2015 over its financing of a coal-fired power plant in India that local communities said had destroyed their livelihoods. In that case, the development institution claimed 'absolute immunity' under a 1945 law called the International Organisations Immunities Act.[27]

The Honduran suit, filed in 2017 at a US federal court in Washington DC, included two class action claims: one regarding roughly 200 members of the Bajo Aguan's Panamá community, alleging a 'pattern of aggression, which Dinant security personnel carry out in order to intimidate and terrorise the villagers'; and the second representing roughly 1,000 people and focused on profit-making from land allegedly acquired by 'fraud, coercion, threat of violence, or actual violence', accusing the IFC of 'reaping the benefits' of historical injustices.

The full 132-page legal complaint said that plaintiffs were seeking compensation for 'murders, torture, assault, battery, trespass, unjust enrichment and other acts of aggression'. It said that ultimately the case was about World Bank entities 'knowingly profiting from the financing of murder', describing decades of violence, specific murders and a 'pattern of attacks that is ongoing'.

It elaborated: 'People have been attacked in their homes, in their gardens, while riding their bikes, driving their cars, farming their land, outside of churches …

People have lost loved ones, which can never be remedied'. Some of those killed had been families' primary breadwinners, leaving surviving relatives struggling. The goal of this violence, it said, had been 'to intimidate farmers from asserting competing rights to land that Dinant has sought to control'.

'We live from our families and our land and now we are left with nothing. We want justice … We have to move forward,' one of the case's plaintiffs said in her testimony. Her husband was allegedly shot and killed by Dinant security personnel. Another plaintiff, Juan Doe VIII, said he had witnessed farmers being pulled out of their homes and beaten. He also described how 'one bullet hit me, it still affects my breathing. I didn't realise I'd been shot, but I touched it and saw blood. Another person was shot through the stomach'.

We weren't the only people following this case closely. Kate Geary, then at a civil society watchdog called Bank Information Centre Europe, told us that local communities had clearly suffered 'appalling harms', and that it was 'high time that the IFC was made to answer in the courts for the many human rights abuses around the world that they have been linked to through their investments'.

Dinant responded angrily to our questions about this case. Roger Pineda, its corporate and banking relations director, sent us a long email in which he insisted that 'all allegations that Dinant is – or ever has been – engaged in systematic violence against members of the community are without foundation'. It was 'absurd', Pineda argued, to connect his company with 'high levels of insecurity in the Aguán valley on the grounds that several tragic deaths have occurred in the same region in which we own land'.

An IFC spokesperson meanwhile said he could not comment on ongoing litigation, but that the institution was 'saddened by the history of violence in the Aguán valley', and that it was 'focused on clients who commit to adopt internationally recognised environmental and social practices in the most challenging environments'.

A paper trail, however, showed that after complaints were lodged with the IFC's internal watchdog over its financing of Dinant, it did open an investigation – which concluded that its support for the company had failed to follow its own policies to protect local communities and environments. An 'action plan' in response to this investigation included requirements that Dinant adopt new security protocols to ensure the protection of human rights.[28]

In 2016, a company report said that it was, under IFC guidance, 'safely securing its facilities while engaging peacefully with local communities'. It said its 'grievance mechanisms, designed in collaboration with community leaders, are helping to identify practical solutions to improve local peoples' daily lives, like preventing dust and controlling traffic,' and that it had removed all firearms from security personnel at its plantations and other locations in Honduras.[29]

But EarthRights lawyers said that these moves had ‘not resulted in remedy or credible investigation for the farmers and their families’, arguing that the IFC seemed to instead be putting ‘profit before people at every turn’.

The legal complaint they filed specifically alleged that ‘guards and security agents working for Dinant continue to intimidate and kill community members and farmers’ leaders across the Aguán to this day’. It accused the IFC of having financed the company with ‘reckless disregard of the obvious and highly probable risk that their actions would result in serious harm to the plaintiffs’.

We were moved by the tenacity and commitment of these lawyers – and the courage of the farmers and villagers who were testifying about what they had witnessed, despite the risks that they would have to live with.

Years later, their struggle was still ongoing. In 2021, the lawsuit against Chiquita over violence in Colombia by paramilitaries linked to the company was still open – as was that against the IFC over their financing of the Dinant company in Honduras. This theme – impunity – would come up again in our next investigations into the privatisation of security, from Palestine to Italy.

Chapter 18
Private borders

Occupation Inc in Palestine

While travelling to our next destination – occupied Palestine – we studied a report from the non-profit Yesh Din which described how private security forces were increasingly being used by the Israeli government. Some were even 'equipped with IDF weapons, undergo military training, and are empowered to undertake policing actions, such as searches and detentions, and to use force'.[1]

We had also printed off a report from the international NGO Human Rights Watch, called 'Occupation Inc'. It detailed how 'Israeli and international businesses have helped to build, finance, service, and market settlement communities' that were being expanded in Palestine against international law. It also referenced twenty Israeli-administered industrial zones in the West Bank, plus huge amounts of agricultural land that was being overseen by Israeli settlers.[2]

Foreign investors seemed to be taking advantage of profitable business conditions offered in the settlements – low rents, Israeli state subsidies and access to cheap Palestinian labour. Foreign direct investment in the West Bank and Gaza soared from nearly $9.5 million in 2002 to almost $300 million in 2016.[3] The US computing giant Hewlett-Packard was one of the many international businesses involved – it developed biometric ID cards used at checkpoints.[4]

A few days later, we met up with Antony Loewenstein, an Australian journalist living in East Jerusalem at the time who would join us in our investigation. Together we planned our next moves. The next morning, a few hours after midnight, we left the small hotel we were staying at and got into a taxi.

It was just after four o'clock in the morning when we arrived at our destination: the Qalandia checkpoint near Jerusalem and on the border with the West Bank.

It was one of the busiest of such checkpoints through which Palestinians with the required permits could cross over into Israel. While the moon was still high in the sky, people were arriving in buses and gathering in lengthening lines.

With high rates of unemployment in the West Bank – and even more so in Gaza, where the UN said it was 'the highest in the world'[5] – many Palestinians worked in Israel, including in construction, manufacturing and agriculture.

Inside a warehouse-like building, we saw what looked like a cattle pen: metal bars formed a narrow chute, enclosing and herding Palestinians – many of whom had travelled from villages more than an hour away – towards the point where their documents would be checked by Israeli officials.

For years, these checkpoints had been manned by uniformed personnel from the Israel Defence Forces (IDF) and the Israeli Border Police. But starting in 2006, gun-toting private security guards joined them. Now, twelve checkpoints in the West Bank and two on the Gaza border used such guards.

We knew that there were private guards working at the Qalandia checkpoint, but we had to look closely to spot them. They blended in well, and looked similar to the soldiers. They were similarly armed, and wearing similar uniforms. But the colour of the fabric was off – it was darker than the IDF's traditional olive green. Squinting, we made out badges that read 'Ezrachi'.

Modi'in Ezrachi was the largest security contractor employed by the Israeli government. Its guards could be seen checking the documents of bus and car passengers in Jerusalem, protecting Jewish compounds and standing watch at the Western Wall plaza. Earlier that year, at the Qalandia checkpoint where we now stood, Modi'in Ezrachi guards had shot dead two young Palestinians – Maram Saleh Abu Ismail, 23, and her 16-year-old brother Ibrahim Saleh Taha.[6]

It wasn't a one-off case. There was a long history of humiliation and violence at such checkpoints. The Israeli human-rights group B'Tselem had released many reports over the years documenting abuses.

'It depends on the individual soldier or policeman', 22-year-old Reham told us, of her experiences. 'Sometimes they let you go; they don't talk to you. Generally, girls are more mean than boys – I don't know why.' We met the university medical student near the Qalandia checkpoint. 'It's miserable', she said, of her daily commute. But when we asked her about the presence of private guards alongside state security she said 'we can't differentiate between them' – because of their similar dress and behaviour.

'They are no different from the army,' agreed a day labourer named Imad, who we met in the same line. As far as he and other people we spoke to were concerned, any Israeli with a gun and a badge seemed to have a license to humiliate them, or worse. A darker green uniform didn't change this.

Battle-tested products

Back at our hotel, we asked ourselves: Why was Israel, of all states, using private security contractors? It had a famously large conscript army, with mandatory three years' service for men and two for women (plus obligatory reserve duty for men until age 51 and for women until 24). If it needed more muscle at its borders, couldn't it have deployed more of these people?

Also, the human rights situation was already dire for Palestinians. Did adding guns-for-hire actually make things worse? People we met didn't seem to distinguish between private guards, soldiers and police, who all frightened them. So why were rights groups sounding the alarm?

When we contacted the Israeli Ministry of Defence, we were told that some 'crossings receive assistance from companies specialising in security and protection'. They advised us to speak to the IDF for further details – but when we tried we were referred back to the Ministry of Defence as 'the appropriate body to speak with'. The company Modi'in Ezrachi didn't respond to us at all.

Next, we travelled to Ramallah in the West Bank to meet Iyad Haddad, a then 53-year-old field researcher with B'Tselem human rights group. We found him at his home office, in a decrepit building near a hospital. At first glance it looked like a bric-a-brac shop. But the objects on his tables were not trinkets. They included spent ammunition, tear gas canisters, sponge bullets and shell casings.

Haddad had spent the past three decades documenting acts and impacts of Israeli forces' violence here. These ugly little pieces of memorabilia were his testament to that process. Many of these weapons had been fired on peaceful demonstrators protesting against Israel's wall and new settlements.

Standing among these items, Haddad told us that it's precisely 'because the people can't recognise' the private armed guards that they had been increasingly deployed over the last decade. 'It becomes easier for them to use force when they want to, without accountability.'

Companies initially took on more mundane operations like logistics, transportation and catering, he said; then, some began carrying out other military and police-like activities too. The collection of munitions around us, in his unusual office, would be powerful props for what he would tell us next. He believed that businesses' increasing role in Israel's occupation was not only a strategy to further shirk accountability for abuses, but that it was also a way to 'test' new weapons on Palestinians before exporting them worldwide.

'Sometimes they are using us so they can know how to use each kind of weapon', Haddad said, disapproving of demonstrations that provided these opportunities. 'For me, these kinds of activities by the Palestinians become helpful to the Israelis because it makes this area into a laboratory to test their

weapons, to develop them and make it a commercial industry, to sell them to other countries.'

He spoke calmly, but we could hear weariness in his voice. 'I have seen how they are developing their tools and their weapons industry and the ways of dealing with the community', he told us. 'And, in 30 years, I never heard once that there is any kind of accountability', when abuses happen. But he goes on.

While in Ramallah, we also met Abdallah Abu Rahmah, coordinator of a local Popular Struggle Committee. Every Friday for a decade, he and his neighbours had protested against Israel's occupation. He also told us he'd heard that military companies advertise to buyers how their products had been used.

'Things like skunk water, they used it the first time in our village', he said as an example, referring to a putrid liquid that was sprayed at protesters to get them to disperse. 'Sometimes they come to our actions and they take video and photographs showing how effective the weapons are in stopping the action.'

Later, Neve Gordon, a politics professor at Ben-Gurion University of the Negev, would also tell us: 'The laboratory of the occupied territories is where things can be fine-tuned, they can be tested, and retested … They can say, "Hey this was used by the IDF, this must be good." And that helps the marketing of the goods'.

We asked a retired Israeli brigadier general, Shlomo Brom, then at the Institute for National Security Studies in Tel Aviv, about this. Was it true that Israeli companies used the fact that their weapons had been tested on Palestinians to gain new business? 'Of course', he replied. 'Why not? Marketing professionals … if they can use the advantage that this system was tested operationally and it worked, they will.'

Many people told us that the privatisation of Israel's occupation – at checkpoints, in settlements and elsewhere – had become increasingly obvious over the last decade in particular, since the 2000–5 Second Intifada uprising of Palestinians. But seeing this as a 'new' trend wasn't quite accurate, we'd also learn.

From its founding in 1948 until the Six-Day War in 1967, Israel had been supported by much of the global left, which saw it as a socialist nation. While Palestinians in the territories it conquered were subject to military rule, Israel built up a welfare state and had low levels of inequality internally.

Shir Hever, author of The Political Economy of Israel's Occupation, described how right-wing governments then began dismantling this welfare state.

'In 1985, as the World Bank and the IMF imposed "structural adjustment plans" on developing countries,' he told us, 'the Israeli government voluntarily adopted such a plan.' This 'was a transformative moment in the country's economy, marking the shift from a social-democratic, planned market into a neoliberal one', he said. It echoed moves by Ronald Reagan in the US and Margaret Thatcher in the UK.

All sectors would be touched by privatisation, including health and education services. The gap between rich and poor Israelis widened.[7] In 2016, one-third of children lived below the poverty line.[8] Israeli academic Daniel Gutwein said: 'Israel's ethos of social solidarity has been replaced by an ethos of privatisation'.[9]

Hever told us that privatisation of the defense sector began 'with the sale of factories out of government-owned arms companies, later with massive outsourcing of security operations to private companies.' These trends, he said, 'were driven by investors who used neoliberal ideology to claim that the government was inefficient.'

Companies that benefited include Magal Security Systems, which had surrounded Gaza with fencing. Elsewhere, it had assisted in the construction of a barrier along the Egyptian and Jordanian borders, and it was bidding to build a border wall to protect Kenyans from Al-Shabaab terrorist attacks. The head of that company, Saar Koursh, told *Bloomberg* that 'business was down, but then came ISIS and the Syrian conflict. The world is changing, and borders are coming back big-time'.[10]

Privatising Fortress Europe

Closer to home, we saw how private companies were also increasingly involved in the border business amid Europe's widely reported 'migration crisis'.

More than 1 million people arrived by boats in 2015 and more than 230,000 in the first six months of 2016.[11] Others came over land, walking and getting lifts in cars, buses and trucks. On the Italy-France border, we met some of these people, including Alma (a pseudonym), from Palestine. We met her in Ventimiglia, a seaside city on the Italian Riviera, which had become home to a growing number of migrants incongruously 'stuck' in a place that attracts leagues of tourists every year. Its beaches no longer seemed like relaxing places; they had become sites of confrontations between migrants and police.

We met Alma in the courtyard of a church which had opened its doors to migrants who were women and children. Men slept on the streets or in a dreary camp run by the Red Cross, sealed off by gates and high fences. This divided families and, in some cases, left young children unaccompanied.

Alma was 30 years old then, and instantly relatable. She had dreams but also a plan. She had crossed Egypt and Libya before the Mediterranean to get here. She had friends in Belgium she was determined to reach.

Journeys such as hers had become increasingly risky. France had instituted heavier controls at the border. Italy was transferring people caught to 'reception centres' in southern Italy and the island of Sardinia.

Tommaso Fabbri, head of mission for Médecins Sans Frontières in Italy, told us that the situation at the Italy-French border was 'a sign that Europe's response is completely failing'. He called it an 'irresponsible decision to close the border' and push people to follow 'new routes which are often much more dangerous'.

Maurizio Mauro, head of the Ventimiglia branch of the Catholic NGO Caritas, said he had personally seen migrants coming back from the French border with injuries 'either because they fell while running, breaking their ankles or their legs, or other cases of people with signs of beatings' from border guards.

The result of a strategy of deterrents and controls, warned humanitarian charities, wouldn't stop people from moving. 'I don't want to stay here', Alma from Palestine had also told us firmly. She'd already been caught by French police after crossing the border, and sent back to Italy. Yet she would try again.

It was called Europe's worst refugee crisis since the Second World War. Refugee camps were set up across the continent. People died as states introduced restrictions, and 'push back' operations.

The Europol agency said that tens of thousands of people smugglers, more than 60 per cent of whom came from European countries, were benefiting from 'a booming business' worth billions of euros a year.[12] But trying to block people's movements also seemed like a huge business opportunity for some private companies.

Internationally, the 'migration security market' had boomed since the 11 September 2001 terrorist attacks in the US, according to researchers at the Transnational Institute in Amsterdam. They estimated that this market could almost double in size between 2015 and 2022, reaching a value of almost €30 billion.[13]

Companies were involved in erecting the visible, physical infrastructure of restrictive migration policies (from fences, walls and barbed wire to watchtowers) as well as in the roll out of new technology (including drones, satellites, heartbeat detectors, infrared cameras) to monitor and control migrants.

Across the continent, money was also being made running immigrant detention centres, assisting in deportations, managing shelters for asylum seekers. The problem wasn't just about profiting from crises – it was also about the extent to which private interests were involved in shaping and prolonging them.

Business behind bars

In Turin, northern Italy, a company called Gepsa had recently entered the immigrant detention business. It was part of a for-profit consortium managing what was called a *centro d'identificazione ed espulsione* ('centre of identification and expulsion', or CIE).

Gepsa was a French company that specialized in managing services at the 'most sensitive sites' requiring 'discretion' – like prisons, detention centres and government defense facilities.[14] In France, it had contracts in at least thirteen prisons. It also seemed to be expanding internationally – including into Italy.

We had never heard of this company before. But we learned that it was part of a much bigger corporate empire. It was a subsidiary of ENGIE Cofely, in turn a subsidiary of Engie – a massive multinational company.

Engie had been created in 2008 by the merger of Gaz de France and Suez (whose history could be traced back to the nineteenth-century company that built the Suez Canal). Its 2018 annual revenues surpassed $60 billion[15] – rivalling the GDPs of more than 100 countries, including Luxembourg and Uruguay. It sold electricity around the world, and was best-known for energy activities. But through its subsidiary it was also involved in the detention industry.

Across Italy, CIE centres held people detained for not having their papers in order, while they waited to be identified and then, if possible, deported. Conditions were prison-like, complete with cells and barbed wire. In Turin, the facility that Gepsa was involved in managing was in a former military barracks. Graffiti on its high concrete walls, topped with surveillance cameras, reflected how controversial it seemed to be locally. They said '*fuoco ai cie*' (fire to CIE), and '*solidarietà coi prigionieri in rivolta*' (solidarity with prisoners in revolt).

Over the years, there had been numerous protests inside this centre, by detainees from Africa to Latin America. Fires set during these revolts had damaged the facility and reduced its capacity.[16]

Since the late 1990s, it had been run by the Red Cross. Then, in 2015, the for-profit consortium including Gepsa took over. The contract they had signed specified that the facility had space to house 180 people – and guaranteed that its managers would be paid for at least 90 even if numbers fell below that.[17] This secured their revenues even if riots or fires caused damage again.

It was a big deal, signed by Gepsa along with an Italian contractor called Acuarinto – worth millions of euros a year. The pair had also won similar contracts to manage other such centres in Milan and in the capital Rome.[18]

Human rights groups said this trade had been a disaster for detainees. Marco Zanchetta at an NGO called Medici per i diritti umani (Doctors for Human Rights) told us that contracts were awarded to the lowest bidders, ensuring that 'who offers less wins', and leading to cuts to services.

'Before there were recreational activities, exercise courses, activities with dogs, projections of films,' he said, giving examples of things that became 'totally absent'. There was little respite for 'the tension and the psychological suffering … that comes from the uncertainty of the situations of the people who are inside', he continued, while healthcare services were also worryingly thin.

A major problem, Zanchetta explained, was that 'while there is a national health service that comes into the prisons, and is in charge of the health of the detainees, in the C.I.E health workers are dependent on the centre's contractors'.

He told us about the cases of two men from Tunisia whom his NGO had met during a visit to the Turin centre. One was suicidal, and given anti-anxiety medication without the appropriate visits with psychiatrists or specialists. The other was detained and then deported with multiple untreated fractures to one of his legs.

Later, we met a former detainee in this centre, who shared his own first-hand experience of life inside it. Omabunde, from Nigeria, told us over coffee that he had lived and worked in Italy for years and had been about to get married to a Nigerian woman who had Italian citizenship. He had legal residence papers, he said, but they had fallen out of date and he had been stopped by police while waiting for renewed copies. They put him into the system.

The Gepsa consortium had just taken over, and Omabunde said it was a major topic of conversation among detainees who claimed the new managers had made their bad situations even worse. In line with the new managers' bid that promised cost savings, he described complaints of fewer activities and services as well as increasingly unappetizing mush served at meals.

Detentions in these centres were supposed to be temporary, until people were identified and deported to their home countries. In many cases people ended up being released with orders to leave the country. Some people would go through this several times. Omabunde described a punitive system – locking people up but failing to deport them, releasing them only to maybe lock them up again later and restart the cycle. It kept people on edge, and vulnerable.

An endless churn of detainees however seemed to work just fine for some: for-profit contractors who made money off each head. Meanwhile these centres had become increasingly secretive places under private management, and harder for human rights monitors and journalists to access.

North of Turin, we drove towards the Alps until we saw abandoned factory after abandoned factory. This pocket of northern Italy had been for much of the twentieth century a major hub of the country's textile industry. It was the home of Ermenegildo Zegna, the luxury menswear brand, and the Fila brothers' first factory. Most of this activity was now long gone, however, relocated to other parts of Italy and abroad. Many people had left too.

But now a new business was opening up – that of housing asylum seekers who had to live in temporary centres while awaiting the results of their asylum applications. Across Italy, there were about 100,000 people in this system.[19] With contractors receiving €30–35 per day per person – we did the math – it was an industry worth more than €1 billion a year.

Some contractors ran large shelters in major cities like Rome or Milan. But many asylum-seekers were sent to 'hard-to-reach places, where residents are cut off from normal life', a Medecins sans Frontieres (MSF) report had warned, 'causing a strong feeling of marginalisation and a lack of access to services'.[20] For contractors, such remote locations could limit their costs – but also the level of scrutiny they received.

'I didn't know where I was going, they didn't tell us anything', said Samuel, a 30-year-old from Ghana who we met near a church in one tiny town in the foothills of the Alps. He lived in an asylum-seeker shelter nearby along with dozens of other men from different countries. Sitting along a shallow river and near a row of abandoned buildings, the structure had been recently repainted in bright colours. But it was far from a hospital and most other services. The closest supermarket was a 45-minute walk away, along winding roads without sidewalks or street lamps.

'We haven't seen the manager of the place and the workers don't know anything', Samuel also told us. 'There hasn't even been a meeting so we could ask things. We only eat and sleep.' He said he received a €15 mobile phone top up card when he arrived, but little else since then. 'We don't have clothes, or medical care', he said. 'We were facing consequences in Africa, but here too it is not easy.'

Also near the church, we met local town residents who were organizing donations of clothing and shoes for asylum seekers, as well as free language classes. These initiatives also seemed to reflect the cutting of corners by contractors – who, beyond physical shelter, were supposed to provide such things and services, as well as small amounts of 'pocket money' to buy things like phone credit from local shops.

We heard many stories of 'pocket money' that arrived late (or never did), as well as those of shelters in which basic utilities had been cut off. Some asylum-seekers had no heat or hot water for days in January. Volunteers were trying to push the local government, which had awarded the contracts, to do something about these situations. One told us that their efforts seemed to have some impact. 'Things have changed a bit. But I expected more', she said, 'Every time we have to push, and then the contractor does the minimum'.

In another small town we met Daniel, who said he needed to see a doctor urgently, about an injury he had sustained in Libya. 'Before we didn't even get soap and toothpaste … It is better now because of volunteers who help us', he told us. Though it had been a month, he said, since he'd submitted a written request to see a doctor (following many verbal pleas). 'We get no medical help, no legal assistance.'

We tried, but largely failed, to get answers from the contractors that ran these shelters. An employee at one of them, however, told us he was aware that there had been 'difficulties … especially with pocket money' that 'would be foolish to

deny'. He also acknowledged that there had been 'imperfect collaboration with local volunteer associations … when you throw yourself into the community's territory, if you don't know how to introduce yourself, if you don't talk, of course you can create tensions'.

As with contracts for immigrant detention centres like the one we'd seen in Turin, the shelter business seemed to fuel a race to the bottom in terms of the services provided, with deals going to bidders who offered the cheapest prices.

For the state, outsourcing appeared to let it wash its hands of what happened next. A template we saw, for contractors' agreements to run asylum-seeker shelters, said that state offices would be 'excluded from any responsibility coming from damage to the goods or people that could happen'. Contractors were in charge, and shielded by commercial confidentiality clauses.

It thus became harder to independently scrutinize these systems, let alone hold them accountable. It wasn't only an issue in Italy, and it even affected officials like Louis Joiet. Regarding one Australian detention centre contract, which he tried to access while he was UN rapporteur on arbitrary detention, he said he was told 'it was a business secret … the state was just the same as an ordinary commercial customer, and the UN an institution that [they] feared would disclose the trade secrets used to manufacture [their] "merchandise" to the competition'.[21]

Chapter 19
Private protection

Follow the weapons

From Turin we travelled east – past Milan and the Lake Como area that was famous for hosting the vacation houses of celebrities like George Clooney. Outlet shops selling iron pots and pans, and gun stores, appeared on the side of the road. It meant we were getting closer to our destination: the de-facto capital of Italy's weapons-making district.

We arrived in Gardone Val Trompia (population 12,000), in the province of Brescia, on a Saturday morning with Giorgio Ghiglione, an Italian journalist who we'd teamed up with. Its sleepy streets were lined with stores selling guns produced by big companies as well as local artisans. The town's coat of arms displayed two rifles.

'Because we were born here and grew up here, we're used to having guns around', one young woman who we met in town told us. 'You realise that it is a strange place to live only when you leave … in many cases these weapons kill people.' She hoped the area's economy would diversify, including into tourism, but thought 'we will always be a weapons-making valley. It's too rooted in history'.

At a small cafe, another woman told us that, in the past, owning an impressive gun was a local status symbol 'like an iPhone today'. As the valley's factories boomed in the twentieth century, she added, 'we didn't know what unemployment was'. Since then times had changed. 'Some factories have moved overseas, others have closed', she said. Although there was an exception.

One company that had been intertwined with this town's history and its fortunes for hundreds of years – that had outlasted kings and governments – seemed to stand firm. This was the Beretta family dynasty – and if you worked for them, the woman in the cafe told us, your situation was comparatively 'privileged'.

There were signs everywhere in Gardone of its most famous family, the Beretta gunmakers. They seemed to own the town's most dominant buildings, and were its biggest employer. A steady stream of workers flowed in and out of its factory complex, as shifts ended but production didn't. But no one we spoke to had ever met, or even seen, any of the family members in person. They seemed everywhere, but also nowhere.

This family company was older than most states. Its history seemed to offer us a unique window into who controls the guns in our world, and how that's changed.

In the sixteenth century, Beretta had made precursors to muskets called arquebus barrels.[1] At that time, Italian city states had become reliant on private military forces. Machiavelli had called these mercenaries 'the whores of war' in his classic treatise 'The Prince', which was first published in 1532.[2] That was less than a decade after Beretta's first known contract, in 1526, with Venice.[3]

Machiavelli had urged leaders to rely on their own armies, loyal only to them, rather than mercenaries who were not to be trusted. As state militaries grew, they became major clients for Beretta. It made guns for Napoleon, King Henry VIII, and boomed with orders from the Italian army during the First and Second World Wars.[4]

Beretta still made weapons for police and militaries around the world. In 2017, for example, it secured a deal to supply 150,000 rifles and pistols to Argentina's army.[5] But the company also changed and expanded, in many ways. Family members became corporate executives overseeing a global empire with dozens of subsidiaries – including in Germany, Australia, Russia, Turkey and the UK.[6] One made 'distraction and smoke grenades and other pyrotechnic devices'.[7] Others made optics, scopes and binoculars, 'laser aiming devices and tactical flashlights'.[8] Beretta had also opened clothing and home accessories lines, on sale at places like Harrods in London.[9]

Overall, 95 per cent of the company's business was now outside of Italy. In 2015, the overarching Beretta Holdings company reported €660 million in revenues – more than half of which (€385 million) came from North America.[10] It had seen a 'decrease in orders' from military and police – however its trade in 'light firearms' to private customers seemed to have more than made up the difference, and now comprised 70 per cent of its sales.[11]

The declining position of states in Beretta's client list seemed to reflect wider trends. In Geneva, a project called the Small Arms Survey had estimated that out of 875 million firearms worldwide, about 650 million were in civilian hands (legally or illegally).[12] New guns, it described, were 'often developed for military use, then adapted to the civilian market'.[13]

This sounded like the Italian company. In 1985, it won a landmark contract to supply pistols to the US military. Not long after, a similar 'civilian' gun appeared in stores. More recently, a $525 semi-automatic pistol was shipped to US stores.[14] The company said it was 'designed specifically for military and law enforcement' and would 'make sure you #WintheFight'.[15]

The US non-profit the Violence Policy Centre said 'the US civilian handgun market' was in fact 'revolutionised and militarised, in large part because of a deliberate, well-documented marketing strategy by Beretta's management'.[16] They pointed, for example, to a 1993 *Baltimore Sun* interview with a Beretta executive who reportedly explained that the strategy was to use military sales to become more well-known and able, to expand in the even bigger consumer market.[17]

In Italy, observers of the gun trade said there was not enough transparency around this business – and warned that 'civilian' guns were less strictly regulated than military exports. Researchers at a group called the Permanent Observatory on Small Arms (Opal) in Brescia had been following these trends. They noticed how, for instance, an unusual amount of hunting guns had been imported by Albania in the 1990s, during the civil war in neighbouring Kosovo, and said they were suspected to have been used in the conflict.

They had also raised concerns about a 2009 export of 'civilian' guns including semi-automatics to Libya, which they said 'highlighted weaknesses in the EU's arms control regime and the dangers of selling guns to difficult countries'.[18] These weapons had been bought by Gaddafi's General People's Committee for General Security but they had been marked as 'non-military items'. This meant that necessary permits were issued in Brescia instead of by the national government in Rome, with different and potentially less scrutiny.

In the US, Beretta guns had been reportedly used in murders and fatal shootings including that of a toddler in the US state of Virginia,[19] two teenage sisters in Ohio,[20] a mother-of-four in Georgia[21] and four students at a Washington State high school.[22]

Less well known, it seemed, was how the company was involved in creating the opportunities for its profit-making. Beretta family members also belonged to the NRA's Golden Ring of Freedom and had donated millions of dollars to the group, including to 'argue significant legal issues relating to the right to keep and bear arms'.[23]

The company also closed a factory in the state of Maryland – moving to Tennessee, in response to a gun control law it didn't like.[24] Nodding to Beretta's very long history, an executive said at that time that when picking a factory location, it considers 'the possibility that we will be … [there] for decades, if not hundreds of years'.[25]

Cattle in a camp

Returning to London, at the airport we saw some of the more than half a million people globally who worked for G4S – one of the world's largest private employers.[26] Headquartered in London, this company provided guards at airports as well as in prisons and had been the subject of numerous scandals – over the treatment of its own workers as well as detainees. In 2016, it had been in the news because one of its guards was behind one of the worst mass-shooting incidents in US history[27] – at the Pulse gay club in Orlando, Florida – and because of riots at a prison that it ran in Birmingham, in the UK.[28]

G4S was also involved in the outsourced management of immigrant detention facilities, including at Yarl's Wood north of London, which held 410 mostly women detainees and had been the site of regular protests. Despite the public attention these protests had received, it was hard for journalists as well as rights advocates to get access to information and people inside. Natasha Walter at the NGO Women for Refugee Women described an 'extremely concerning' lack of transparency, arguing: 'It seems straightforward logic that if private companies are doing the work of the Home Office and being paid out of tax receipts, then they should be liable to the same scrutiny as the public sector'.

We weren't able to go inside this detention centre officially as journalists – and we weren't alone in trying and failing. A UN special rapporteur had also been denied entry, as had Diane Abbott, Labour's shadow home secretary at the time.[29] But rights advocates eventually managed to help us visit one detainee, a woman who was nearing three years inside without charge. She told us she wasn't surprised that journalists couldn't easily enter the centre – as it fit a pattern of restrictions on information as well as ever-present surveillance.

'I feel intimidated,' she said. 'We know they are listening to our phones. We feel they look at our emails as well. I feel spied upon.' This feeling, of constantly being controlled and watched, has meant that 'people are scared of speaking out.' She continued: 'I feel there should be a place you can complain,' she said, about the contractors if they cross a line. Instead: 'We are treated like cattle in a camp'.

G4S was a big player in this industry. It was a massive multinational which boasted 2016 revenues of £6.8 billion and profits of £454 million.[30] It was also an old company, with origins in a guarding business founded in Copenhagen, Denmark in 1901.[31] Though it wasn't the only such business.

The global private security market – from guards to alarm monitoring, armoured transport and other services for commercial, government and individual buyers – was now worth an estimated $180 billion, and was projected to grow to $240 billion by 2020 according to the Freedonia Group market research firm.[32]

In a 2010 book called *Security beyond the State,* two University of Ottawa professors had described how the provision of security had become increasingly 'de-territorialised', independent of states and 'embedded in a complex transnational architecture'.[33] They described something we had seen around the world – from Myanmar's chaotic commercial capital, where guards blocked entrances to luxury hotels that towered over the extreme poverty around them, to South Africa's wealthy suburbs, where dogs barked at us from behind high walls topped with razor wire.

The privatisation of 'everyday security', these academics said, had become so common that it often went unnoticed and unquestioned. However, they argued, it affected the distribution of power in societies (determining who gets secured and how) as well as the stability of states (fracturing their monopoly on the use of force).

'You stop noticing it – there are guards everywhere', Rita Abrahamson, one of the authors, told us over the phone. Though the expansion of private guards, security fences and gates, she said, are 'very physical displays of inequality'.

She'd looked in-depth at these trends, and their consequences in several African countries where there had been 'very little attempt to regulate the private security sector', perhaps because it created some jobs for people in contexts of high unemployment. A few governments, including Sierra Leone's, even facilitated the export of private security labour overseas, actively supporting the international industry's recruitment of their citizens.

She described these trends as frontier concerns for democracies and states, and prompted more questions: What does it mean when security becomes a product that only those with money can buy? Are there any exceptions to these trends? And how did they connect to the other international systems and strategies we had investigated?

We began to build another global dataset – recording statistics and estimates, wherever we could find them, of the number of private security workers in different countries. We then added a column to record the figures we could find on the number of public police officers by country. We wanted to see how these figures compared. Was it true, across the world, that 'everyday security' had become increasingly privatised? To what extent?

The Geneva-based Small Arms Survey had published one of the few international studies and datasets on this industry, in 2011, estimating that there were approximately 19.5 million private guards across seventy countries. It had also warned: 'Like other commercial services, only those who are able and willing to pay will benefit from it. This dynamic runs the risk of exacerbating disparities between the wealthy – protected by increasingly sophisticated systems – and the poorest, who may need to resort to informal and sometimes illegal means to secure their safety'.[34]

This industry's rapid growth had 'outpaced regulation and oversight mechanisms', that group added. There was an international code of conduct – but it was voluntary, and non-binding.[35]

We pulled together data from several sources, including from these researchers in Switzerland, the Organization for American States, the Confederation of European Security Services (CoESS), the Eurostat statistics department, and some national-level agencies. In the end, we could only find numbers for eighty-one countries (less than half of the world's states). There were other challenges too. We found few estimates of unregistered, informal or 'black market' security guards. It wasn't always easy to compare data across countries and years, as it wasn't always collected in the same way.

Still, what our spreadsheet showed us was staggering. More than half of the world's people lived in the dozens of countries – including Australia, China, the UK and US – where there seemed to be more private guards hired to protect specific people, places and things than police officers who at least in principle have a mandate to protect the public.

In the US, department of labour statistics said there were more than 1.1 million private security guards – compared with about 660,000 police and sheriff's officers. Economists Samuel Bowles and Arjun Jayadev had also looked at these figures and found that the US was employing 'as many private security guards as high school teachers'.[36] They further found that more unequal cities and states had higher levels of 'guard labour' – a broad term they used to include private security as well as police, bailiffs, prison officers and other related workers.

We rang Jayadev in Bangalore, where he was teaching at Azim Premji University. The growth of the private security industry reflects the 'breakdown of trust and community bonds' that comes with rising inequality, he told us.

In India, estimates suggested the private security industry employed as many as 7 million people.[37] This was far more than the 1.7 million police officers it had in 2013.[38] In that country, Jayadev told us, this industry's growth was also part of a broader 'secession of the rich from the rest of the economy', which included relying on 'private services in every facet of their lives', to provide 'all of the things the state might otherwise … including security'.

Informal imperialism

It is 'extremely difficult', wrote other academics from the University of Leicester in the UK, 'to grasp either the activities or the true scale' of this industry due to a 'veil of secrecy around its activities that is only occasionally

lifted'. They connected what they called 'the re-emergence of mercenary forces … re-imagined as Private Security Companies' to 'the growing strength of (neo)liberal imperialism'. Broader outsourcing drives, they said, had 'laid the foundations' for a '(re-)privatisation of the military'.[39]

Like other international systems and trends we'd investigated, modern private military and security companies also seemed to have boomed in the decades of 'decolonization', as independence and anti-colonial movements rose and Europe's formal empires fell. From the 1960s, numerous new private contractors were founded by British special forces veterans, with names like Watchguard International and Control Risks Group.

Such companies boomed again at the end of the Cold War, as millions of people left state militaries and looked for new jobs – and then again with US-led wars in the Middle East, and rising levels of income inequality.

If 'you have a ton more money than everyone around you … you want to protect it. Getting security from the private sector is an obvious way to do it', said Deborah Avant, co-director of the University of Denver's Private Security Monitor programme. During the US-led wars in Iraq and Afghanistan, 'an army of private workers flooded in to do all sorts of things', she told us. Many did jobs that would have previously been done by the military directly. Among those recruited were former child soldiers from Uganda.[40] Afterwards, many stayed in this line of business.

But, as the Leicester academics suggested, the world has seen privatised security before. Some 'chartered corporations' that had expanded European colonial empires had their own security, for instance. Famously, in 1857 the East India Company's forces rose up against their employer. The company publicly executed tens of thousands of suspected rebels in retaliation. (A few years after this, it was out of power and the British crown took over, giving a new title to Queen Victoria: Empress of India.)[41]

'Mercenary forces reinforced empire on the cheap', summarized P. W. Singer, at the Brookings Institution think tank. It was only during the First World War, he explained, that 'the nature of warfare had changed to the point whereby mercenary forces became irrelevant'. That was a period in which state militaries expanded dramatically. It was during this time and in this context that Weber, the German sociologist, had written that a monopoly over the legitimate use of force, within certain territories, were defining characteristics of the state.[42]

That context had changed. Private companies had become increasingly involved (or re-involved) in all phases of warfare including training and arming soldiers, intelligence gathering and strategic advice. They could be hired to battle in civil wars, against rebel groups, insurgents, even protestors. Singer called them 'corporate warriors'. With their growth,

he said, 'the start of the twenty-first century is witnessing the gradual breakdown of the Weberian monopoly over the forms of violence'.[43]

Companies in the privatised security business often worked for states. But they could have many clients at the same time – and could also work for other private companies and wealthy individuals. According to Catherine Piana, director general of the Confederation of European Security Services (CoESS) industry group, roughly 70 per cent of private security clients in Europe were other businesses – not states or government agencies.

'There is now a very wide range of services, depending of course on who you are,' Piana added. Amid threats from terrorism, for example, guards 'often have positions in front of buildings where they can see unusual activities and report them, so there's a possibility for them to collect information too'.

Singer, at the Brookings Institution, wrote that this industry also gave criminal enterprises that purchased these services 'new options and new paths to power not imagined until very recently'. He speculated that 'states may eventually become like dinosaurs toward the end of the Cretaceous period: powerful but cumbersome, not yet superseded, but no longer the unchallenged masters of their environment'.[44]

Even in the 1970s, academics including political theorist Hedley Bull were predicting the rise of 'neomedievalism' – the emergence of non-state actors and the overlapping of their authority with that of governments.[45] In 2014, Sean McFate published a more contemporary, non-academic account of the same thing.

The Modern Mercenary, written by the former contractor at the private security giant Dyncorp, described how that company had been contracted by the US State Department to design, recruit and train Liberia's new army after that country's civil war. McFate said this marked 'the first time in two centuries that one sovereign nation hired a private enterprise to raise another sovereign nation's armed forces'.[46]

He also described the rise of a 'neo-medieval' world, where private forces determine the outcomes of conflicts in 'a non-state-centric, multipolar international system of overlapping authorities and allegiances'. And, like Staley the Chicago economist who seemed to have predicted much of what we saw around the world, he suggested it would be futile to try to stop this.

The new nanny

The Universal Declaration of Human Rights, adopted by the UN's General Assembly in 1948, says that 'everyone has the right to life, liberty and security

of person', and that 'no one shall be arbitrarily deprived of his property'.[47] Governments are required to work towards realizing these rights.

But when security is privatised, only those with enough money can buy it. What does it mean for democracy, we asked, when this happens?

In some countries the expansion of the private security industry had enabled the richest and even the middle classes to bypass the state. In Latin America, the UN Development Programme had called it a trend that 'further increases inequality, as social groups have different capacities to deal with crime'.[48] It seemed to be a cause as well as a product of intensifying inequalities.

The elite US magazine *Town & Country* in 2016 meanwhile said that 'in properly staffed households throughout the world, the bodyguard is the new nanny'. It described how 'fear of terrorism, a volatile political climate and a pervasive sense that the wealth creation of a few has come at the expense of the many have made paranoia the norm'.[49]

Several companies explicitly marketed their services to the richest including crisis response, 'executive personal protection', and security for mega-yachts. One of them, Pinkerton, claimed a stunning 170 years of experience with 'highly-skilled agents' protecting 'Fortune 100 CEOs and their workforces, famous entertainers, athletes, high-net worth individuals, royal families and diplomats'.[50]

The privatisation of security was also affecting the UK, where we lived. Data collected by the CoESS industry group said there were 232,000 private security guards in the country in 2015, again far exceeding numbers of police officers. The British Security Industry Association estimated that this market was worth more than £6 billion.[51] Customers included local communities: residents in one Essex town, for example, reportedly hired private security to patrol its public streets at night after its local police station closed.[52]

Other companies focused on elite clientele included a 'My Local Bobby' subscription-based service which catered to residents of London's most upmarket neighbourhoods. One of its founders, a former police officer, said: 'It's like people buy private health insurance … the concept of people paying for something above what the state provides – this is no different'.[53] Another London-based company, Westminster Security, said that it offered 'complete security and lifestyle management for high net-worth individuals, families and businesses'. It also advertised that its employees had police and military backgrounds.[54]

Also in the UK, we found more than a dozen private security and military companies based in Hereford, close to the British Army's Special Air Service (SAS) headquarters. It also seemed like an attractive location for them because office space was cheap and readily available near huge expanses of countryside, ideal for training centres and courses.

In the nearby sleepy village of Madley, population 1,200, we found one of these training centres. Behind an idyllic rural setting, with a Red Lion pub, parish

church, and many grazing cows in fields, was a converted barn. While it looked like any other barn from the outside, inside was military equipment.

Every six weeks, we learned, this building and the area around it were filled with prospective recruits for this industry. They came from various places including in Eastern Europe, the US and Latin America. It was where some of the next generation of guns for hires – guarding VIPs to corporate assets – started their journey.

'In 2004 I jacked in Iraq and came back to the UK, and threw all my money into creating Ronin Concepts,' John Geddes told us, about the private military company that he set up in 2004. He had a military career in the parachute regiment and the SAS, before going to Iraq as a private soldier with a British company. There, he was disillusioned with the quality of other recruits and he saw an opportunity to move into training.

Inside his barn, sub machine guns, rifles and pistols lined the back wall. Human dummies and severed plastic heads lay on the floor. Geddes showed us the projection screen where he put on course videos, including those of live fire training from Poland and the US (where he had other training sites). Replacing a gun on the wall rack, he shared his perspective on the success of the UK, and Hereford in particular, in this multibillion dollar industry.

'The answer goes back in history a couple of hundred years when you had in the days of the rise of the East India Company,' he said, naming that famous colonial-era 'chartered company' which 'occupied huge tracts of the globe and mostly they were ex-services patched throughout the empire.'

In 2014, a UK Ministry of Defence research report predicted the rise of corporate armies, drone terrorism and laser weapons among threats to security to emerge internationally over the next thirty years. It sketched out a vision of the future with large multinational corporations equipped with their own 'highly capable security forces' and new technologies like increasingly cheap unmanned drones for sale to all sorts of buyers including criminals and terrorists, who may even be able to 'secure payload space on rockets operated by private companies – this would allow them to launch their own surveillance satellites'.[55]

This study did not seem far-fetched – much of what it described was already in motion, and had been for a long time. Around the world, private guards were common sights at locations from airports to oil refineries. Once again, most weapons were in private hands. And British companies were at the forefront of this industry, selling security and profiting from the threat of violence worldwide.

Chapter 20
Lucrative threats

Secret city

We arrived in Albuquerque after the sun had set, and met Brooks Saucedo-McQuade, a photojournalist who would accompany us to our last destination.

Together, we drove north through stunning scenery with small bushes popping through sand and giant rocky ridges beyond them. It was sunny with few clouds. This was the land evoked by New Mexico's tagline – the 'Land of Enchantment' – and that had inspired Georgia O'Keeffe, who had painted here. But roadside signs, pointing to military sites, kept us on track.

We were here to go to the belly of the horrific beast that is the threat of nuclear war: Los Alamos, home of the atomic bomb. It was where, during the Second World War, an army of scientists worked on the top-secret 'Manhattan Project'. A 'secret city' was built around their laboratory, surrounded by fences and guards. They were forbidden to talk about their jobs and even the lab's existence.[1]

Now, you could drive right into the town. On a weekday afternoon, we found its streets quiet. Potted flowers hung from lamp-posts. There were landscaped gardens, a pond and many planted trees. It looked more like a wealthy ski-resort town, like Aspen, than part of the military-industrial complex. But there were reminders of bombs everywhere.

The local movie theatre was on Oppenheimer Drive, named after the physicist who oversaw the creation of the first nuclear bombs dropped on Hiroshima and Nagasaki. 'Atomic City Transit' buses roll down the streets. In springtime there was an 'Atomic Man Duathlon'. In the fall: a 'Meltdown Rock Climbing Competition'.

Shops sold atomic bomb souvenirs including kids' t-shirts with images of explosions and the words 'Kicking ass since 1945'. Los Alamos was increasingly

marketing itself to tourists – war and military history buffs, others interested in science and technology, and those looking for unusual holidays.

The nuclear weapons lab was still running and high levels of secrecy seemed to have returned to the town, in a new, corporate form. The historic Los Alamos National Laboratory had been controversially privatised. Contractors were not only executing decisions, but they were coming up with plans and strategies too.

Los Alamos had been an unusual bubble, with issues of inequality and power part of its story, from the very start. Much of the land used to build the lab, and the 'secret city' around it, had been taken from local indigenous and Hispanic families, and never returned.[2] After the war, an entirely new county was carved out for it. On the state map it was a tiny dot. On league tables, it was up at the top as one of the wealthiest counties in the country – next to some of the poorest. Also unlike neighbouring areas, it had the state's best schools; one of the country's highest concentrations of PhDs; and one in nine residents was a millionaire.[3]

'We have ranches in this state that are bigger than Los Alamos County', said Chuck Montaño, in the dining room of his home in Santa Fe, just over 50 kilometers away. He had grown up here, and went to work at the lab as an adult – for thirty-two years.

'There's always been this friction' between the lab and local communities, he told us. 'Some of us have benefited, we've gotten jobs there … but most of the benefit is centred in Los Alamos, it stays in Los Alamos'. He continued: 'It's tiny, it's isolated, but it was set up that way, to shield it from politics of surrounding counties – it has a separate funding train, because the [federal] government provides most of it'.

Even before privatisation, the lab had many problems, Montaño said, including 'a lot of labour issues'. 'They were abusive, unnecessarily', he told us, describing how layoffs seemed to be 'an excuse to target workers that were older, that were whistleblowers, basically it was open season on workers'. The lab had also faced class action lawsuits during what the *Bulletin of Atomic Scientists* called 'a long season of discontent', including one such case alleging racial discrimination after most of 173 people fired in 1995 were Hispanic.[4]

Montaño described these issues, and his own experience as a whistleblower – after he found evidence of fraud in the lab's procurement department – in a 2015 book entitled *Los Alamos: Secret Colony, Hidden Truths*.

'It was bad then and I imagine it would be worse now', he told us. Under the lab's new for-profit private managers, data including on worker demographics became confidential – making it harder to investigate things like wage disparities. 'When it became an LLC, all of a sudden all of this information became private.'

Privatising Los Alamos

More than 10,000 people worked at the lab's massive and heavily guarded complex, which included numerous buildings across 36 square miles of land.

For decades the lab had been run by the University of California. But, under George W. Bush's presidency, it and other nuclear facilities were put up for competitive bid. Requests for proposals were written so that only private companies could bid.[5]

The argument for this change seemed to be that private managers would be more efficient, and would put an end to security and safety scandals. Frequently cited was the case of a veteran scientist named Wen Ho Lee who was arrested in 1999 and accused of illegally copying classified nuclear weapons files. His story became a national media obsession with suggestions made in the press that he had shared top-secret government information with the Chinese state. (Eventually, however, the case against him was dismissed by a judge who also apologized for how he had been treated.)[6]

The winning proposal for the Los Alamos lab's new management came from a new corporate partnership called Los Alamos National Security (LANS) LLC, led by the giant privately held and politically connected firm Bechtel. Other partners included two other companies and the University of California, the facility's previous non-profit manager.

Like many of the companies we had encountered in our investigations, Bechtel was massive. American journalist Sally Denton, who published a book about the business in 2016, called it 'so potent, and with such a global reach, that it has its own foreign policy'. By the time she finished her research, she'd concluded: 'the US government is like one public policy arm of Bechtel rather than the other way around'.[7]

Founded in 1898 by Warren A. Bechtel, the company had been in his family ever since and was still one of the largest privately-held corporations in the US.[8] Headquartered in Chicago, it had boomed off of large taxpayer-funded engineering and public infrastructure projects. Around the world it built railroads, pipelines, airports, oil refineries, giant dams and shipyards – as well as the Channel Tunnel from Britain to France. Senior figures had moved back and forth from influential positions in the US government to those high up at Bechtel. Company executives John McCone, Caspar Weinberger and George P. Shultz, had respectively become Director of the CIA, Secretary of Defence and Secretary of State.[9]

Globally, it seemed to have a dark history. Its takeover of a newly-privatised municipal water system in Cochabamba, Bolivia's third largest city – and dramatic price hikes that followed – were the trigger for the country's infamous 'water wars' dramatized in the award-winning 2010 film *Even the Rain* starring

Gael Garcia Bernal. It had also been a major US contractor in wars in Iraq and Afghanistan.[10]

While its contract at Los Alamos was relatively new, Bechtel had been involved in atomic activities for a long time. During the Second World War, it had built infrastructure in Hanford, Washington that was also used for the secret Manhattan Project to develop the atomic bomb.[11]

It was still involved in a nuclear waste treatment plant at Hanford – and it was running other nuclear security facilities from California to Tennessee. But, privately-held, Bechtel didn't disclose as much information as publicly-traded companies with many shareholders. Everyone we spoke to in New Mexico, from local residents to employees, wanted more information about what was happening at the Los Alamos lab. But they'd have to fight to get it.

Los Alamos had become a 'corporate secret city', where 'even if you're inside, you don't know anything', said Greg Mello, at the Los Alamos Study Group, one of several small but dogged watchdog groups monitoring the lab. His home in Albuquerque doubled as an office for the group. Along walls were rows of filing cabinets storing research and campaign materials.

Mello pointed us to soaring costs and senior salaries at the lab under private management. When for-profit managers took over, their fees jumped to $80 million a year (previously they had been around $8 million a year).[12]

The lab was such a big player in the state, he suggested, that political representatives weren't responsive to concerns about it. In an adjoining room large, colourful piñatas, in the shape of local congresspeople – props for a protest – had been placed comically around a table as if in a never-ending, silent meeting.

In 2012, activists at Nuclear Watch New Mexico, another local group, had filed lawsuits under the Freedom of Information Act to obtain copies of the government's annual performance evaluations for Los Alamos. It took years but eventually documents were released showing high scores for weapons development – but worryingly low ones for management, safety and environmental impacts.[13]

While the lab was run by the university alone, annual performance reports were publicly released. Other information on salaries, budgets, spending and hiring was accessible under public records acts. But now such data was often hidden because of 'commercial confidentiality'. It was private property.

'It used to be that science drove this place and everyone knew it … Now that's gone', one long-time technical staff member at Los Alamos told an American Physical Society publication in 2010 – four years after the lab was taken over by its new for-profit managers.[14] Terry Wallace, an associate director at the lab, also acknowledged declining staff morale, saying: 'Where you have

a workforce that believes "this is ours", and a new management team that appears to be dropped from outer space because it's corporate … it's difficult for the workforce.'[15]

Alongside such complaints was worrying evidence that the risks for-profit managers posed weren't hypothetical. Deadly weapons and materials were in play; some people had already been hurt.

On Valentine's Day in 2014, a drum filled with radioactive nuclear waste burst open at a disposal facility near Carlsbad, New Mexico. Much of the site – the country's only underground storage for nuclear waste – and the nearby area was contaminated. Investigators uncovered bad record keeping, lax oversight and shortcuts taken by subcontractors at the Los Alamos lab.[16]

In 2013, subcontractors for the lab had been rushing to meet deadlines to ship decades-old waste when they came across a particularly acidic batch, unsafe for transport. Lab guidelines recommended tests to determine how best to treat it. But this was time consuming. Shortcuts were taken. A mistake was made and the wrong material was added to absorb excess liquid. The result was an explosive mixture. A federal report into the incident placed the blame on Los Alamos contractors who failed to pay attention to staff concerns and 'to ensure that changes to waste treatment procedures were properly documented, reviewed and approved, and that they incorporated all environmental requirements'.[17]

The Carlsbad incident was deemed a 'first degree' performance failure, for which the Bechtel-led consortium saw its management fees reduced for the year by tens of millions of dollars as a result.[18] The cost to the taxpayer to clean up the mess was estimated to be much higher, however: more than half a billion dollars and many years of time. There had also been added costs of temporarily storing nuclear waste elsewhere. At Los Alamos, meanwhile, we heard that there could still be other drums with similar contents to that which had burst.

Other federal reports had ripped into lab managers for 'significant and long-standing nuclear safety deficiencies'.[19] A 2016 audit said that the lab 'under-categorises risk and, therefore, does not apply the appropriate level of attention to safety and health issues, including nuclear safety issues'.[20]

Then, a 2015 fire at one of the lab's power stations injured nine workers. A government report said it was the lab's worst accident in almost twenty years. It concluded that 'inadequate implementation of management controls resulted in the following human effect: an employee suffering third and fourth degree burns affecting approximately 30 per cent of his body surface and being hospitalised in excess of 30 days'. Furthermore, it said there had since been 'ineffective implementation of corrective actions' including 'weaknesses in identification and control of hazards'. In other words: it could happen again.

GOCO

It wasn't just Los Alamos. Much of the US nuclear security infrastructure had been outsourced under a 'GOCO' – Government Owned, Contractor Operated – model. Companies now ran much of it – from facilities that enriched uranium and produced plutonium to the labs and plants where bombs were designed, built and maintained, to waste disposal sites.

A small group of large firms, including Bechtel, dominated this business and were increasingly in charge of whole programmes, shaping and implementing US nuclear strategy while overseeing other subcontractors.

At the Albuquerque airport we flew into, some runways were shared with the Kirtland Air Force Base – where the Sandia National Laboratory was based. It made non-nuclear components for atomic bombs and was run by the giant defence contractor Lockheed Martin. Together with Bechtel, that company was also part of a separate consortium called Consolidated Nuclear Security (CNS) which ran a plant in Texas that assembled and disassembled nuclear weapons, and a complex in Tennessee that processed uranium. In Missouri, another facility making ignition systems and other components for nuclear bombs was run by the Honeywell corporation (that also sold consumer products like home thermostats and dehumidifiers).

Along with nationwide privatisation came cross-country concern from workers and local residents about MBA-style leadership prioritising production and profit over science and safety, while ratcheting up costs to taxpayers.

Like Los Alamos, the Lawrence Livermore lab in California, outside San Francisco, similarly researched and designed nuclear weapons, and was often seen as its sister-site. It had also been run by the University of California for decades, and was now under Lawrence Livermore National Security (LLNS) LLC, a partnership of Bechtel, other companies and the university.

On its website Bechtel said 'the contracts were separate, but the partnerships worked toward economies of scale and share best practices that benefit both laboratories'.[21] But the overlap drew criticism. Jeff Colvin, a physicist at Livermore, who had also previously worked at Los Alamos, argued that a 'key promise of privatisation – introducing "market competition" to the enterprise – was immediately dashed by selecting the same corporate entity to manage both labs'.[22] This 'new business model puts labs' science missions in jeopardy', warned Colvin, who was also a representative with the University Professional and Technical Employees (UPTE) union. He described how it had shifted the lab's focus to fewer large projects, and profit, while there was 'less tolerance for the open debate and discussion that is necessary for good science'.

When for-profit managers took over Livermore, they promised huge savings but instead the lab's costs soared. There were bruising rounds of layoffs. In

2008, 129 dismissed employees sued for age discrimination. Seven years later, the consortium agreed to pay $37 million to settle these disputes.[23]

In Washington state, the decision to bring in private managers at the Hanford nuclear waste treatment plant had also seen costs rise dramatically alongside safety and security complaints. In one case there, in 2011 a senior scientist Walter Tamosaitis raised concerns over plans to turn radioactive waste into a solid glass that could then be buried. Government officials investigated and agreed that the plans didn't meet federal safety standards. Work at Hanford was suspended in 2013, but by then Tamosaitis had been demoted and moved to a basement room. By the end of the year, he was fired.[24]

Tamosaitis had been an employee of the engineering contractor URS – later acquired by AECOM. He sued for wrongful termination and eventually won a $4.1 million settlement. (A company spokesman said then that it settled 'to avoid the cost and distraction of litigation relating to events that occurred over five years ago. The company strongly disagrees that it retaliated against him in any manner.')[25]

Meanwhile, another URS employee at Hanford, Donna Busche said in her own 2013 lawsuit she also faced retaliation after expressing safety concerns.[26]

At the Pantex Plant outside Amarillo, Texas, workers had also faced painful cuts under private management – to their health and retirement benefits. That plant, where weapons were assembled and disassembled, was key to new efforts to 'modernise' the US arsenal and build smaller, precision-guided bombs.[27]

In 2015, more than 1,000 Pantex employees went on strike for more than a month over proposals to cut their benefits. 'Whenever you work at a nuclear plant and you deal with nuclear material, the most important thing to you is going to be your medical benefits', said technician Roger Richards, during their action.[28]

A settlement was reached later that year: workers agreed to lower future pay raises in order to keep their medical coverage, sick leave and pension plans. New hires, however, would not get this same deal.[29] As elsewhere in our investigations, profit-hungry bosses seemed to be tightening the screws. In this context, there seemed to be no room for questions that had exercised citizens around the world: How do we end the threat of nuclear weapons? How can we move towards a world without them?

Collateral damage

Controversial plans to 'modernise' the US arsenal, at an estimated cost of more than $1 trillion, would be a boon to companies in the nuclear security business. These modernization plans – upgrading and adding smaller, precision-guided

bombs – were part of the ideology of 'nuclear deterrence', which argued that maintaining fearsome arsenals would prevent them from being used.

It wasn't a new idea. Jacob Viner, an advisor to Eugene Staley when he was a young economist at the University of Chicago, was among the advocates of 'deterrence' during the Cold War. It had long been a controversial and much debated approach – but its proponents still included major world leaders and their advisors. Increasingly, private corporations stood to benefit.

Much of the US nuclear weapons infrastructure had already been outsourced with alarming consequences: accidents, injuries, severe retaliation against whistleblowers and record-setting spending increases. These privatisations reflected broader trends as states outsourced a widening variety of activities and responsibilities.

In late 2015 – after the radioactive waste leak at Carlsbad, and the electrical fire at Los Alamos – the Bechtel-led consortium was told that other companies would soon be able to bid for the lab's business. The competition for new managers was expected to last several years. But it had already reopened discussions on whether private management was a good idea.

Some of the people we spoke to said that problems at Los Alamos ran too deep and that the government had to step up and re-accept responsibility for it – that changing the companies involved in private management wouldn't be enough. Others pointed out that there were just a small number of companies that had amassed the experience and expertise needed to bid for contracts like these – and that many of these also had troubling records.

Meanwhile, proponents of keeping the lab in for-profit hands pointed at how New Mexico as a state, and Los Alamos as a county, benefited from tens of millions in Gross Receipts Taxes (GRT) from the consortium each year – which they hadn't received when it was under sole University of California management.[30]

Pete Sheehey, a Los Alamos County Councillor, said that when the county began receiving large amounts of lab taxes it started a programme called 'Progress through Partnering' that had supported projects like a free bus service around northern New Mexico that included stops for Native American pueblos. The lab's managers, he told us, had also been generous in supporting local education and other programmes – and it was unclear if that will continue under a new contractor, who 'will presumably be under pressure to economise'.

But, Sheehey also acknowledged, the entrance of for-profit managers at the lab 'clearly it did not save money as advocates of privatisation had hoped or claimed, and performance in some areas was judged unacceptable'.

About an hour from Los Alamos, in Espanola, Patricia Trujillo was not impressed with the community initiatives the lab had set up. She told us that they were far from enough to tackle the pervasive disparities that existed in the area.

Espanola, a small town from where many manual workers at the lab commuted, was in Rio Arriba County. It was one of the poorest parts of the state, in turn one of the poorest states in the nation, with a grim reputation for high rates of heroin overdoses.

'There's been basically no trickle down', said Trujillo, a literature and Chicano studies professor, and head of the equity and diversity programme at Northern New Mexico College in Espanola. 'This is what institutionalised racism looks like', she told us. 'We can take your land. We can poison you. We can pay you the minimum.'

Support for things like the development of science curricula for area schools 'doesn't address structural issues', she continued. 'It's still "we have the knowledge, we'll give it to you." It's still piecemeal and problematic, north-south thinking.'

We met inside a small restaurant. Outside, Trujillo pointed us to hills that still bore the scars of wildfires that had ripped through the area and threatened the lab. She remembered how, when such fires broke out, people from Los Alamos were 'literally forced out of the hill and into Espanola. People opened shelters, were really hospitable, but after those moments of crisis everyone went back to Los Alamos'.

In 2000, what was named the Cerro Grande Fire had come close to lab property, prompting an emergency push to get thousands of containers of legacy hazardous waste out of the area.[31] Another big fire came in 2011, five years into the Bechtel consortium's tenure. That Las Conchas Fire was diverted to get it away from a lab storage area – while the Santa Clara Pueblo indigenous community lost 80 per cent of its forested land.[32]

Beata Tsosie-Pena, an environmental activist with the indigenous women's organisation Tewa Women United, was born in Santa Clara. We met her later that day. She also told us that the Los Alamos lab seemed to have become less accountable under private management – but stressed that its damage now stretched back generations. The real question, she argued, is why nuclear weapons programmes continued to exist in the first place.

'It wasn't Hiroshima or Nagasaki that were first bombed, but the people of New Mexico', Pena reminded us, referring to the detonation of the very first atomic bomb at the Trinity Test Site 200 miles from Los Alamos on 16 July 1945, weeks before the more well-known bombs were dropped on Japan.

She rattled off a long list of threats still posed by the Los Alamos lab to neighbouring communities, including a plume of underground toxic hexavalent chromium – a chemical linked to higher cancer rates – that was drifting towards them. There was 'legacy waste' still in dump sites – and new waste too – above an aquifer that supplied drinking water to most of northern New Mexico.

Los Alamos needed a fundamentally new mission, Pena insisted – one that was guided by a holistic do-no-harm approach and that focused scientists'

minds on solving pressing environmental challenges: not nuclear arms. For now, she said, 'I sometimes feel we are still collateral damage for the weapons industry'.

This time, because of our collaboration with the local photojournalist, we were able to bring back to Gavin striking images. When we next met we handed him printed copies, one by one, letting him see for himself the scars on the earth from fires were diverted away from the Los Alamos lab; dramatic inequalities with surrounding communities; signs announcing the lab's private managers; and the faces and home offices of activists working hard to pierce its secrecy.

'This is scary stuff,' he eventually said.

But, as always, he pushed us to consider the big questions that our investigations had raised. When we thought we were done, he wanted more.

'What do you see when you step back from the detail?' He asked 'Each of the stories you've told me is extraordinary, but what do they add up to?'

Epilogue: Ugly truths

As we learned about these corporate justice and welfare systems, and corporate utopias and armies, that have shaped our world, we felt increasingly disappointed in something else: our industry, the media.

For democracy to be meaningful, we must have a hand in shaping our destinies – and access to information we need to understand our world and inform our decisions. But what if our elected representatives don't have the power we thought they did? And what if the media has failed to let us know?

Our investigations had shown us how transnational companies and investors have been able to challenge, even overrule, various state actions – and threaten our ability to respond to existential threats like climate change and atomic war. What chance do we have, if our governments can be sued for changing energy policies, or enforcing environmental protections, that hurt corporate profits? If nuclear weapons programmes are controlled by contractors who profit from them and will never want them shut down?

The international investment treaties that enshrine the global justice system that protects corporations' profits; the global welfare system that nourishes them and helps them expand; private carve-outs like special economic zones (SEZs) that have sliced and diced our world; and corporations' control over force and security – today all of these dynamics affect countries globally.

On one side of this story are rich and powerful people and their elite advisors, lawyers and lobbyists. On the other side is the vast majority of the world's population. Those hit hardest are often those already struggling. International institutions seemed to make it clear, for example, that it wasn't a coincidence that most factory workers in these zones were women – describing them as more 'docile' and easier to control.

Overall what we uncovered was dark, and suggested that much less is up for grabs in national political debates and elections than we're led to believe – and

that many of the scandals that occupy our media may actually be quite small in comparison to the silent coup that has been enacted against our democracies.

But we also saw light. Around the world – as well as in historical archives – we had met or learned about people resisting these trends, and pushing for safer, healthier and more democratic futures. Many of them had reminded us of our mentor, speaking with a similar combination of seriousness and hope.

Gavin passed away in late 2016, before we finished fully absorbing and understanding this story, but we and our work continued to be shaped by him. As we pieced together this puzzle, we realised our own perspectives on the world had changed.

We couldn't stop looking at things through the new lens we'd found. It made visible how corporations had imposed extraordinary limits on democracy. One example is how some companies have used the investor-state legal system to challenge government policies enacted to protect people amid the Covid-19 pandemic. In 2021, Chile was sued by French shareholders of a consortium controlling Santiago's international airport, demanding compensation for lost profits due to fewer flights. They also complained about policies requiring additional sanitary measures.[1]

It is hard to forget, when we now pass by a Lidl store, that this giant chain's expansion across Europe was supported by huge amounts of money from the international development system. Bananas on sale, bearing the Chiquita label, make us hesitate and question whether they were grown on lands taken over from local farmers. It's not wrong to think that things don't always add up in our societies. Something doesn't feel right because there are extremely powerful players involved in major decisions who are usually off-screen, hidden from us.

Crises of faith or lacking trust in democratic institutions from parliaments to the media make sense. Democracy and independence are largely buzzwords that feel hollow – because they were made hollow, over generations with strategic planning, lobbying campaigns and new infrastructure.

With everything at stake, the response to this silent coup against democracies around the world must match its ambition, coordination and long time horizons.

We saw in the archives how a number of primarily Latin American countries had tried, in the mid-twentieth century, to resist the establishment of the global investor-state legal system, warning that it'd threaten their independence.

Throughout our investigations, some Latin American countries continued to stand out for challenging this and other systems and trends that have expanded corporate power, as well as profits. They included El Salvador, which after battling a major investor-state case became the world's first country to ban mining nationwide.

In Argentina, meanwhile, we saw an alternative to increasingly privatised residential and work places at Hotel Bauen in Buenos Aires, one of the country's many *empresas recuperadas* ('recovered businesses'). After the hotel declared bankruptcy, its workers occupied and reopened it. One of these workers, then 66-year-old waiter Armando Casado, told us: 'Before it was a job like any other … now you have freedom.'

Years later we met Evo Morales, Bolivia's first indigenous president, at his home deep within the Amazon. To get there from Cochabamba, the nearest city, took four hours in the back of a minibus. Inside a nondescript house, we sat in a living room that was bare apart from two sofas. 'We established a political position with regards to transnational companies: we talk, we negotiate, but we do not submit to transnational corporations', he told us of his time in government, which oversaw unprecedented economic and poverty-reduction successes that even the World Bank praised.[2]

'The coup was against our economic model … we showed that another Bolivia is possible', Morales said, of his overthrow in 2019. British officials warmly welcomed the new regime and opportunities for UK companies to make money from the country's resources, particularly lithium which is used in batteries. Morales had tried to stop the traditional imperial dynamic of exporting raw materials to be made into industrial products elsewhere. He wanted Bolivia not just to export lithium but also to make and sell batteries.

'This is a struggle not only in Bolivia, or Latin America, but throughout the world,' he argued. 'Who do natural resources belong to? The people under the control of their state? Or are they privatised under the control of transnationals so they can plunder our natural resources?' The current millennium, he insisted, must be one 'of the people, not of monarchies, nor hierarchies, nor oligarchies. This is our struggle'.

This struggle requires undoing the systems and strategies which prevent us from shaping our own destinies. This will not happen overnight, and it will require as many people as possible to join together to boldly resist it across borders.

More battles from the frontlines must reach the headlines. Around the world we met people resisting expanding corporate empires who had tremendous knowledge about them and their impacts. In many cases we were the first journalists they had ever spoken to. Major international institutions like the World Bank and the European Bank for Reconstruction and Development, headquartered in Washington DC and London respectively, must be more closely scrutinized and investigated by more journalists.

Many newspapers have correspondents focused on national supreme courts but there are few journalists that so closely cover the international investor-state tribunals that function as a global supreme court. Those that do cover it usually have their articles deposited behind the paywalls of their specialty publications

for lawyers and investors. This must change and the full force of journalistic scrutiny be applied to such systems.

Gavin believed that journalism in a democratic society should comfort the afflicted, and afflict the comfortable. The mainstream media, as it stands, often inverts this and protects the powerful. We hope that by writing this book, we have stayed true to the principles that Gavin instilled in us nearly a decade ago. But – as he knew well, and often reminded us too – unless information is used by people, nothing changes.

'Above all, we have a responsibility to tell the truth', he always told us. Truth was his obsession. 'Not the respectable truth,' he'd add, 'but the ugly truth.' This book tells ugly truths, but the future can still be beautiful. That's up to all of us.

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